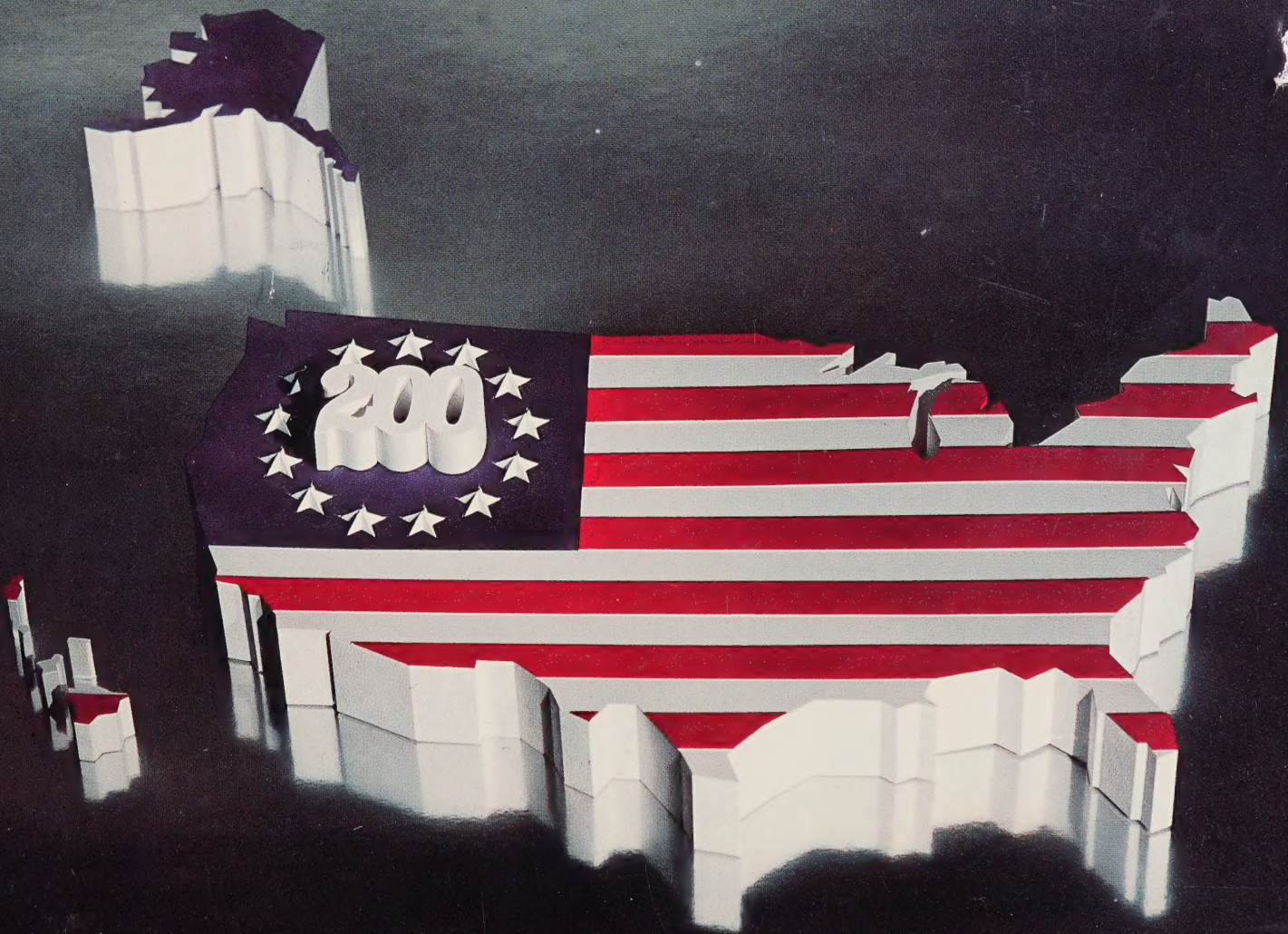


AR15

interlake, inc.

Annual Report 1975



Every American's Challenge—

Preserve your investment in America's economic system . . . and future.

For the past two years, we've devoted our inside front cover to subjects we felt were timely and appropriate.

- Two years ago we discussed Interlake's business goals, objectives and philosophies.
- Last year we summarized results from our investors' survey; and in our report we answered respondents' queries and comments.

This year we feel privileged, and obligated, to share a concern that's appropriate to discuss during America's bicentennial.

Our Front Cover Salute

Our front cover salutes our nation's 200th anniversary. To pause for celebration and reflection is as it should be.

In essence, we salute two significant concepts:

- *Political freedom*, our Declaration of Independence laid the groundwork for a constitutional system that separated and balanced government powers. Government was to be strong, but limited, and was to "insure domestic tranquility," provide for the "common defense" and "promote the general welfare" of citizens.
- *Individual economic freedom* as illustrated in Adam Smith's *Wealth of Nations* which discussed how and why free markets create the greatest wealth for the greatest number of people by providing freedom of choice and collaboration. Essentially, he was talking about the enterprise of individuals and organizations seeking private gain, or profit . . . fundamental concepts that helped spur the founding of our colonies a century before our break with England.

Smith's basic postulate was that the *consumer*, rather than the producer or bureaucrat, was "*king*." His vote in the marketplace (economic arena) should determine how society's scarce resources are allocated.

Smith also explained how a free market was a means for coordinating individual skills and abilities by allowing each individual to freely invest his time and capital where it would fetch the highest return.

In summary, then, we celebrate what began as a proper balance between restricted government power on one hand . . . and freedom of initiative and enterprise on the other. These twin ideals took root, flourished, and combined to produce a thrust of energy and achievement of historic proportion.

Today, however, many of us are deeply troubled by a growing lack of balance in America, compared to original mandates 200 years ago, when Thomas Jefferson observed, "... that government is best that governs least."

Our Concern: Growing Government Power

William E. Simon, speaking as U.S. Secretary of the Treasury in October, 1975, summarized our concern.

"The American economic system today is under attack as it never has been before. And that attack comes as the country is drifting dangerously down the path toward a centralized economy.

"In a very basic sense, our nation has reached a point where we must choose between the restoration of a more competitive and open society or resign ourselves—perhaps irrevocably—to a society in which the large decisions about our economic and personal welfare are made by the central government. Let there be no mistake: A failure to act constitutes a choice on our part, for the forces that will drag us down are already in motion. They have been tugging at us during the past several years and we know that it is up to us to halt their momentum and to put the economy on a fresh course for the future."

How Government Bureaucracy Is Growing Out of Control

Howard J. Morgens, Procter & Gamble Executive Committee Chairman, helped point out in a recent speech how government bureaucracy is already out of control—growing by leaps and bounds.

"Whenever Congress sees a problem," he said, "it tries to solve it by throwing money at it . . . or by throwing a law at it. Then it often sets up a government agency to administer that law. The law itself is frequently vague and subject to different interpretations, so the government agency has a great deal of latitude in administering it. The agency then sets up elaborate regulations to enforce the law, which often go far beyond what Congress intended. Over the years these regulations develop a life of their own, evolving, growing, overlapping, and often conflicting with others. Regulations breed regulations. And government grows and grows."

Ballooning Government Bureaucracy and Agencies

We can't say enough about the kind of growing government power we are now witnessing. It's the surest means America has of destroying the mainspring of its prosperity and progress. We already have more government than we need, more government than most people want, and certainly more government than we are willing to pay for.

In recent years we've reminded our shareholders about the monumental burden we're forced to carry each day by more and more government agencies. At the federal level alone, we're talking about HEW, EPA, OSHA, CPSC, NHTSA, FDA, FTC, FED, SEC . . . and many others. We don't have room here to list them all, but their main goal is regulation.

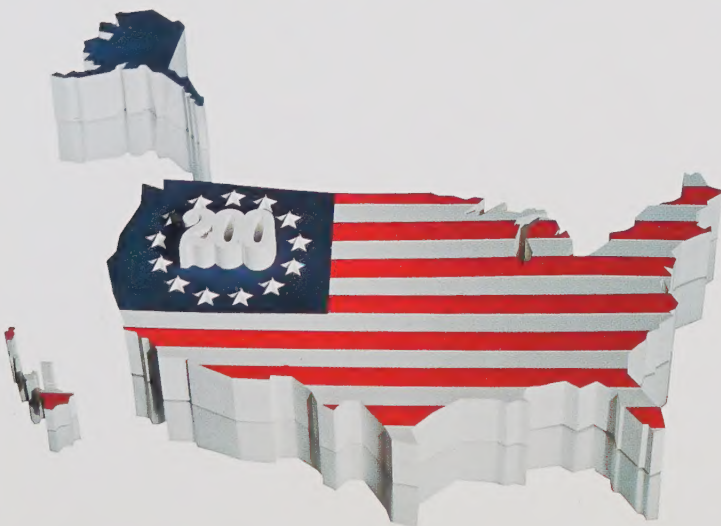
Consider federal employment. Today, one out of every six people working in America works for the government. If present trends continue, 25 years from now, one out of every three Americans would be a government worker.

Government Is Assuming Management's Job

Government is assuming vital decision-making power away from managers and handing it over to a growing bureaucracy.

This intervention involves a shift of decision-making from managers, who represent stockholders, to a cadre of government officials, government inspectors, and government regulators. Although their decisions affect our management, they are not accountable to our shareholders. Personnel practices, manufacturing operations, marketing, finance, communications . . . etc., there isn't much in terms of company decision-making these days that isn't closely controlled or influenced by federal agencies. Often, as we've said before, restrictions of one agency conflict with regulations of another.

The main result of all this is increased confusion and higher costs for the American taxpayer.



Government Budget Expenditures Leapfrogging

It took 186 years for the federal budget to reach 100 billion dollars. It reached that level in 1962. It took only 9 more years to reach 200 billion dollars—a mark we crossed in 1971. It took only 4 more years to reach the 300 billion dollar mark—a figure we reached in fiscal 1975. Now—one year later—it looks as if Federal expenditures will reach 375 billion dollars in the 1976 fiscal year which ends next June 30. And the deficits, of course, keep accumulating.

Added perspective was provided by Mellon Bank Chairman, James H. Higgins in a September, 1975, speech outlining further government spending and intrusion:

- **Federal Spending Will Approach \$500 Billion by 1980**

According to government forecasts, planned administrative spending will near \$500 billion by 1980. This means in less than 20 years, your federal budget will have grown from \$100 billion to \$500 billion. That's a half a trillion dollars!

- **Now Add State and Local Government Spending**

Total government spending, including federal, state, and local, is already running at an annual rate of about \$530 billion.

- **Social/Welfare Spending to \$240 Billion**

Social welfare spending from '66 to '76 has soared from \$42 billion to about \$182 billion. If you include similar expenditures by state and local governments, boost this to a staggering \$240 billion for domestic social programs.

- **Tax Collections Lag, Deficits Grow**

Tax collections haven't kept pace during this federal spending spree. The result: in fourteen of the past fifteen years, our federal budget has been a deficit budget. Since '61 accumulated budget deficit has totaled \$170 billion. If you include government sponsored enterprises, the figure exceeds one quarter billion dollars . . . obviously, a major source of financial instability and inflation.

\$4 Billion a Year to Ride Herd on Industry

It costs \$4 billion a year to support federal regulatory agencies that ride herd on business, and that's only the tip of the iceberg. The real cost to the consumer is much greater and is handed to him in the form of higher prices.

We Hope the Public Is Becoming More Aware

We realize the trend of growing government control and spending hasn't been personal enough, or dramatic enough to many people outside business. The general public isn't exposed enough on a daily basis. But, hopefully, the shift of power and the loss of freedoms are becoming more apparent.

There's No Such Thing As a Free Lunch

We're worried about the general attitude among more Americans that "government money" is something different from dollars saved or spent in the marketplace . . . and a feeling that government handouts are "free" and a "right."

Federal money isn't free. It's no different from money we carry in our wallets. *Government is never a source of goods. Everything produced is produced by the people. And everything that government gives to the people it must first take from the people.*

The only money government has to spend is money taxed or borrowed from people's earnings. When government spends more than it has received (as it consistently has) that extra money fuels inflation, reduces the value of all money, savings and insurance . . . and thereby diminishes the purchasing power of everyone.

If Americans think anything else, then they are fooling themselves. Everyone must realize that as a nation, and as individuals, if we want government benefits, then we're going to have to pay for them.

The most logical way to decrease government budgets, payrolls, and inflation is to reduce government spending, particularly "handouts," global and personal.

Business: America's Wealth Producer

The U.S. Department of Commerce, Bureau of Economic Analysis, recently reported that over 82% of all income in America originates in business.

It seems to us that Interlake's owners, employees, suppliers, friends . . . and anyone who'll read this annual report, could therefore, do a great service to America by explaining how important a *profitable* business enterprise is.

What Else Can We Do?

Interlake hopes America's current birthday party will usher in a period of greater benefit for all citizens . . . and an improved quality of life.

Perhaps our most fundamental job is to restore public faith in the American system . . . because faith and hope hold our system together.

In addition, we recommend concentrating on several other areas. Let's:

- Seek greater understanding of economics, particularly economic realities which enable us to make wiser decisions in the marketplace and in the voting booth.
- Become more involved in our political process. Communicate your thoughts on key issues to your representatives with clarity and strength of conviction. Hold them accountable for their actions.
- Avoid asking government to solve every economic and social problem by spending public funds. We should aid the less fortunate among us. But we should never permit lazy Americans to live off the efforts of creative and productive workers.
- Impose discipline on our own business and our personal enterprises. As consumers, we can keep the spirit of price and quality competition alive by shopping carefully.
- Experience the satisfaction that comes from an honest effort . . . a full day's work for a full day's pay.
- Impress on everyone the need for government to conduct its financial affairs responsibly . . . and with far fewer people and agencies.
- Remember that change will always be with us. We must, therefore, make decisions which permit our government to be capable of surviving new changes . . . without forfeiting those principles set forth by our nation's founders.

Unless we're able to accomplish these and many more reforms, we'll not see an end to inflation; we'll not restore any semblance of lasting prosperity to America . . . and we'll certainly not preserve American individual liberties fought for in 1776.

Our Epitaph: What Will It Be?

There's an epitaph written for ancient Athens and attributed to historian Edward Gibbon, which we feel is relevant for us now.

"In the end," he wrote, "more than they wanted freedom, they wanted security. They wanted a comfortable life, but they lost it all—security, comfort and freedom. When the Athenians finally wanted not to give to society, but for society to give to them . . . when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free."

Whether the same will one day be said of America is the choice now before us. As participants in the American system, each of us has an important voice in deciding our country's direction and fate.

Let there be no doubt that our choice will be for a free America.

Annual Meeting

Shareholders are invited to attend the company's 1976 Annual Meeting at 10:00 a.m. (Los Angeles, California time), on Thursday, April 22, 1976, in the Beverly Wilshire Hotel, 9500 Wilshire Boulevard, Beverly Hills, California. Proxy statements will be mailed in late March.

Transfer Agents and Registrars

The First National Bank of Chicago, Chicago, Illinois
Bankers Trust Company, New York, New York

General Counsel

Jones, Day, Reavis & Pogue, Cleveland, Ohio

Independent Accountants

Price Waterhouse & Co., Chicago, Illinois

Common Stock Listed and Traded

New York Stock Exchange
Midwest Stock Exchange

Stock Symbol: IK

Form 10-K Available

Each year the company files an Annual Report (Form 10-K) with the Securities and Exchange Commission which includes much of the data included in this report plus additional data regarding company operations. Any shareholder desiring a current 10-K may have a copy by writing our Secretary at the company's general office.

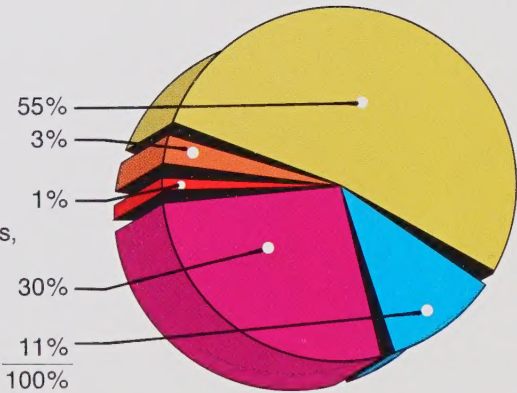
Shareholders desiring information about Interlake should address their inquiries to: Secretary, Interlake, Inc., 310 S. Michigan Ave., Chicago, Illinois 60604, (312) 663-1700.

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How 1975 Revenue* Was Distributed

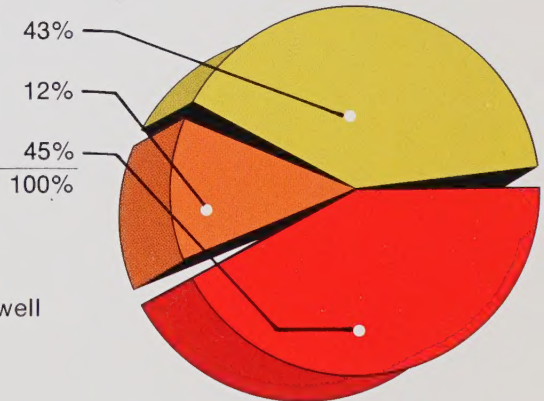
Raw materials, supplies and services purchased
Depreciation
Interest on loans, etc.
Employees' wages, salaries and fringe benefits
Profit before taxes



How 11% Before Tax Profit* Was Distributed

Taxes on income
Dividends to shareholders
Reinvested in Interlake**

*Of continuing operations
**Before loss on disposal of Howell



1975 Highlights

Interlake, Inc. is engaged in two main businesses: metals and material handling. In metals, we manufacture and sell iron, steel and related products as an integrated steel producer. . . plus silicon metal, ferroalloys and ferrous metal powders. In material handling, we're involved in packaging and storage products and systems, fabricated products and material handling equipment.

For The Year (In thousands)	% Change '75-'74	1975	1974	1973
Net sales of continuing operations	7.9	\$640,831	\$593,764	\$425,999
Income of continuing operations	(1.4)	39,706	40,263	17,950
Net income	(11.9)	34,375	38,999	16,784
Cash flow	(2.4)	52,388	53,678	30,713
Capital expenditures	40.8	35,884	25,486	12,773
Cash dividends paid	(26.7)	8,075	11,013	7,373

At Year End (In thousands)				
Working capital	15.0	\$109,421	\$ 95,143	\$ 98,021
Current ratio	25.0	2.0 to 1	1.6 to 1	2.5 to 1
Property, plant and equipment—net	7.4	202,621	188,746	155,265
Long-term debt, less current maturities	15.3	85,599	74,216	60,367
Shareholders' equity	9.0	264,046	242,134	214,056
Shares outstanding	(3.5)	5,405	5,603	5,597

Per Share Statistics (Restated for 3-for-2 stock split)

Income of continuing operations	2.1	\$ 7.34	\$ 7.19	\$ 3.15
Net income	(8.9)	6.35	6.97	2.95
Cash dividends paid	(23.9)	1.50	1.97	1.30
Shareholders' equity at year-end	13.0	48.85	43.22	38.24

Quarterly Results—1975 and 1974 (In millions—except per share statistics)

	Sales*		Income*				Net Income				Stock Price Range				Dividends	
			Amount		Per Share		Amount		Per Share		1975		1974		Per Share	
	1975	1974	1975	1974	1975	1974	1975	1974	1975	1974	High	Low	High	Low	1975	1974
1st	\$186.5	\$125.0	\$14.0	\$ 4.8	\$2.55	\$.86	\$ 7.7	\$ 4.7	\$1.39	\$.83	21½	18	17¾	13¾	\$.33	\$.30
2nd	153.9	149.6	4.4	11.7	.84	2.08	5.4	11.4	1.02	2.04	23¾	19½	18½	16	.33	.33
3rd	143.2	158.9	10.9	14.5	2.01	2.59	10.9	14.3	2.01	2.56	25¾	20½	18½	14¾	.34	.34
4th	157.2	160.3	10.4	9.3	1.94	1.66	10.4	8.6	1.93	1.54	26½	23¾	19½	14¾	.50	1.00
Year	<u>\$640.8</u>	<u>\$593.8</u>	<u>\$39.7</u>	<u>\$40.3</u>	<u>\$7.34</u>	<u>\$7.19</u>	<u>\$34.4</u>	<u>\$39.0</u>	<u>\$6.35</u>	<u>\$6.97</u>	26½	18	19½	13¾	<u>\$1.50</u>	<u>\$1.97</u>

*Of continuing operations

Sales and Earnings by Business (In millions)

		Sales				Earnings*			
		1975		1974		1975		1974	
			%		%		%		%
Metals	Iron	\$110.1	17	\$103.0	17	\$50.7	66	\$45.5	58
	Steel	171.4	27	202.6	34				
	Silicon Metal/Ferroalloys	48.6	7	55.1	9	8.1	11	13.3	17
	Metal Powders	30.4	5	34.0	6	4.0	5	3.5	4
Material Handling	Packaging/Fabricated Products	109.1	17	119.2	20	5.7	7	9.8	13
	Material Handling/Storage	171.2	27	79.9	14	8.8	11	6.6	8
		<u>\$640.8</u>	<u>100%</u>	<u>\$593.8</u>	<u>100%</u>	<u>\$77.3</u>	<u>100%</u>	<u>\$78.7</u>	<u>100%</u>

*Of continuing operations before unallocated corporate items and income taxes.

To Our Shareholders and Employees:

1975 Was Interlake's

- second best earnings year in history
- eighth record sales year in a row
- third year with positive results from our long range plan
- highest capital spending year (\$35.9 million)
- third year of improved financial return to shareholders:
 - a 3-for-2 stock split
 - increased regular annual dividend rate to an indicated \$2.00 per share after stock split
 - continuing higher prices for Interlake common stock
 - shareholders' equity improved again, up \$21.9 million.

1975: Strong Only at Beginning and End

1975 started with a good first quarter, boosted by remaining '74 backlogs. However, business fell off sharply until well into the last quarter, when some order books began firming.

Fourth Quarter Improved

The year ended on a stronger note. Our fourth quarter was better than last year's and net earnings per share reached \$1.93 or 25.3% more than the \$1.54 in '74. Fourth quarter net income was \$10.4 million, 20.9% above \$8.6 million a year earlier. And fourth quarter sales of \$157.2 million were just below \$160.3 million in the same '74 period.

Second Best Year

1975 **earnings per share** of continuing operations reached a record high \$7.34—up \$.15 from '74's \$7.19. But the sale of our Howell furnishings division resulted in a \$5.3 million, or \$.99 a share, loss from discontinued operations. This caused '75 net earnings per share to drop 8.9% to \$6.35, from \$6.97 a year earlier.

1975 **earnings of continuing operations** were \$39.7 million—almost matching '74's \$40.3 million. But **net earnings** fell 11.9% to \$34.4 million, from \$39 million in '74 because of Howell sale losses.

Dexion Helps Make Record Sales Year Possible

Sales of continuing operations reached a new record of \$640.8 million in '75—up 7.9% over '74, even though all of Interlake's major product lines reported lower sales. This record was due primarily to a full year of sales from Dexion-Comino International. Only one month of Dexion's sales were included in Interlake's '74 results.

Several Factors Led to Earnings Strength

Several "plus" factors helped offset "minuses" so '74's higher earnings level could be maintained:

- a \$10 million cash settlement with a raw material supplier
- increased investment tax credits
- measures taken to reduce and control expenses
- a full year's benefit from '74 price increases, plus additional upward adjustments in '75, which helped offset rising employment and material costs
- fewer shares outstanding after we bought 241,950 Interlake common shares in February.

Capital Expenditures, \$35.9 Million: New Annual High

Capital expenditures reached a new annual high \$35.9 million.

- expansion projects, \$11.4 million (32%)
- modernization projects, \$17.2 million (48%)
- environmental control, \$7.3 million (20%)

'76 Capital Expenditures: \$36 Million

In '76, we've targeted \$36 million for capital spending. Expansion projects should take about 26%, replacement/improvement spending should account for 64%, and environmental projects are charted for the remaining 10%.

Looking at Our Profits Objectively

Interlake's '74 and '75 profit performance appears particularly encouraging, compared to prior years. But to repeat what I said in last year's annual report: profit figures can be misleading unless they're placed in proper perspective. Our return on investment has improved in the past two years, but it should be higher. And our return on equity is still too low.

We must all keep in mind how today's inflation dollar buys us far less than the same dollar bought even a year ago. That's why we must continue to improve earnings.

Earnings Per Share Trend in Right Direction

Our earnings for the last two years have reached the higher levels we need to keep us modern, efficient and productive. And these improved earnings can be traced directly to successful results from our long range plan.

Interlake's Long Range Plan in Perspective

Three years ago we announced a long range plan created by a special top management group who carefully analyzed Interlake from all possible facets. Programs carried on since then have all been designed to implement this plan.

Realistically, we couldn't be expected to follow our plan exactly. But we came very close. Changing conditions caused us to alter our plans on some goals, add new ones . . . and broaden others.

The following review should make it apparent that Interlake is changing . . . and is certainly not the same company it was just a few short years ago.

Goals Outlined

Here are key goals we established:

- Achieve an improved and consistent above-average earnings performance
- Share the company's earnings growth with stockholders
- Focus activities on two key areas:
 - material handling** . . . products and services in warehouse/manufacturing storage and handling plus industrial packaging and shipping
 - metals** . . . manufacture and fabrication of industrial products from metals used in growing markets
- Maintain the competitive position of present businesses through adequate capital spending to broaden markets and achieve above-average profitability. This includes an active acquisition search for material handling and metals businesses and sources of raw materials.
- Selectively prune out product lines, properties and businesses which don't meet our objectives.



Left to right: Reynold C. MacDonald, chairman and chief executive officer; Frank J. Burgert, president and chief operating officer; Robert Jacobs, executive vice president—finance and administration.

Results from Long Range Plan Summarized

Here's a quick summary of key results from our plan:

- net income per share has improved to a new level:
 - \$6.35 in 1975
 - \$6.97 in 1974
 - \$2.95 in 1973
 - \$2.17 in 1972
 - \$2.02 in 1971

Stockholders Share Our Earnings Growth

- In 1973 we made a special year-end dividend—the maximum allowed by government guidelines
- in 1974 Interlake's Board increased the regular quarterly cash dividend by 11% and declared a special year-end dividend, equal to double the new quarterly rate
- a 3-for-2 stock split was made in October, '75
- last November 25th our regular cash dividend was raised by 50% boosting '75 payout on restated shares to \$1.50—an indicated annual rate of \$2.00 a share for '76.

Three-Year Capital Spending: \$74 Million

Capital expenditures for the past three years have reached about \$74 million, including:

- expansion—\$23 million
- modernization—\$39 million
- environmental control—\$12 million

Material Handling Capabilities Expanded

- acquired for \$22.5 million all outstanding shares of Dexion-Comino International Limited, an English-based material handling firm with annual international storage product sales of about \$100 million
- formed Kawatetsu-Interlake, Ltd., a joint venture company, with Kawasaki Steel in Tokyo, to market storage racks and systems in Japan
- expanded Canadian storage rack production facilities
- built a new storage rack facility in England
- enlarged our Pontiac, Illinois storage rack manufacturing plant for the third time in ten years
- bought A. J. Bayer Co. . . . adding a line of conveyors and a custom metal forming business
- acquired a British packaging equipment company formerly owned equally with the British Steel Corporation
- split our material handling business into two divisions for more efficient operation and better coverage of worldwide markets. In '75 we formed the Packaging and Fabricated Products Division and the Material Handling/Storage Division
- added production capacity at Acme-Canada's manufacturing plant in Scarborough for more strapping machines and systems

Actions Taken in Metals Businesses

We've taken many actions to further strengthen our metals businesses—the backbone of Interlake and consistently our major earnings producer.

- entered into a joint venture with Ford Motor Company, Wheeling-Pittsburgh Steel Corporation and Pickands Mather & Co. to build and operate a 1,250,000 ton-per-year underground coal mine and processing plant near Pikeville, Kentucky.
- purchased a ferroalloy plant in Selma, Alabama and converted it to silicon metal production. Within the last year we've completed a second melting furnace which more than doubles the plant's silicon metal capacity.
- installed the world's two largest powder metal annealing furnaces, which increased iron and steel powder output from Hoeganaes, Interlake's 80%-owned subsidiary.
- made major improvements at our two steel plants and our two blast furnace plants.
- signed a letter of intent on November 13, 1975 to acquire Arwood Corporation, a producer of die and investment castings.

Development, Pruning Programs Effective

We've had good success in new product development and our program of pruning out product lines, businesses and properties which don't meet our long range plan goals. We:

- dropped several product lines, and introduced new ones
- sold unneeded land in the U.S., Canada, plus a major office building in the United Kingdom
- sold the Howell furnishings division.

Further Progress on Social Goals Evident

As we've reported to you over the past years, we are increasingly active in programs to:

- support our free, private enterprise system
- improve employee motivation and attitudes
- increase training, education and equal opportunity. (see Corporate Briefs)

What's Ahead On Long Range Plan

The impact of our long range plan activities is obvious, and we'll continue to keep you informed of further progress.

We intend to maintain programs which enable us to better establish Interlake as a leader in its various businesses, and we'll continue to concentrate our efforts in those areas where we have particular know-how and expertise.

Outlook

We have an aggressive profit plan this year. Our target is to surpass our '75 performance. But strong volume in our major markets will be a vital key to success.

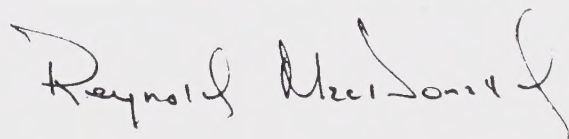
We share today's many uncertainties with everyone. Unsettled economic and political situations around the world have profound implications on our businesses . . . and outlook.

We Expect Slow, Gradual Improvement

As I pointed out in our preliminary report, we don't expect business to rebound with any suddenness. Instead, we look for slow, gradual improvement. How fast, and for how long: we don't know. But as of this date, many Interlake order books are perking up. If this trend continues, we should maintain earnings at '74 and '75 levels.

We've shown we can sustain earnings at a higher plateau under depressed economic conditions. Thus, as conditions improve here and outside the U.S., we should share in that improvement, and we'll reach the aggressive goals we've set for the company.

One thing's for certain: '76 will be anything but dull.



Reynold C. MacDonald
Chairman, and Chief Executive Officer
February 9, 1976

Helping the World Do Its Work

The world-wide use and diversity of Interlake products and systems is almost endless. Something we make is in use every minute in virtually every free world marketplace . . . not to mention "out-of-our-world" applications in outer space.

Each year, Interlake's business becomes more international in scope. In this section are a few examples typifying how Interlake is helping the world do its work.



The City Museum and Art Gallery, in Bristol, England, displays some of its most valuable treasures in our Apton square tube showcases.

In Nottingham, a Gerrard strapping machine helps an exporter ship 17,000 bicycles a week.

First Versatizer in Europe

Europe's first Versatizer strapping system is operating in one of the world's largest corrugated container plants in Winford, Cheshire, England. The system installed by Gerrard Industries, Limited, automatically cross-straps up to 105 pallet loads an hour.

Around Europe

A manufacturer of inflatable plastic goods in France handles 150 shipments per day with a rack installation from Dexion-Feralco, S.A., which can handle 4,000 pallets.

In Denmark, Dexion power racks have achieved 80% volume use in a public cold storage facility where mobile pallet racks, individually powered and running on steel rails, allow a single aisle to serve 11 racks.

A computer controlled tobacco warehouse in West Germany is a 7,000 pallet live storage installation made by Dexion GmbH. The facility accommodates 850 million cigarettes and 250,000 kilograms of tobacco.

In Luxembourg, the largest Interlake strapping system in Europe is used by a metals company which straps a steel coil every 35 seconds with the mammoth machine.

Africa

Participants in Algeria's free medical program obtain pharmaceutical and medical supplies from Dexion equipped warehouses in Algiers, Oran and Constantine.

The largest warehouse in Africa is located in Kabwe, Zambia. This general storage facility was installed by Dexion Overseas, Ltd., and has 14,000 pallets on seven levels.

Saudi Arabia

Dexion power racks, conveyors, and a three-tier rack installation are features in a national airline's new spare parts facility. The system is helping the air carrier complete renovation of its jet fleet on schedule.

Persian Gulf

LASH ships drop off their shrink-wrapped cargo at off-shore anchorage at places like Shulton Shoal, Kuwait, and Bandar-Abbos, where a four-month wait for regular docking facilities is common. The shrink wrap not only protects the cargo from ocean spray, and the heavy winds and rain which frequent the area, but has proven a deterrent to pilferage as well.

Tokyo Bay

Kawatetsu-Interlake, Ltd., will be operational in 1976. This joint venture (between Interlake and Kawasaki Steel) engineers and sells storage racks produced by Kawasaki's new manufacturing plant. The company is engineering and selling storage rack and automated handling systems to industrial and commercial companies in this space-short country.

Australia

The largest crane operated warehouse in Australia is equipped with the highest Dexion free-standing storage rack in this country.

Dexion slotted angle was put to unique use in constructing the center boxes for special guests attending the South Australian tennis championships.

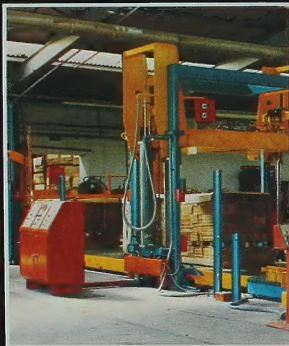
Interlake products are found throughout an airplane. Our special alloy steel is in vital brake systems and airframes; silicon metal in tires, wiring, and aluminum; and ferrochromes are in stainless steel used in many component parts of most modern jetliners. Airlines also use our packaging and material handling equipment.

Major Locations

United States, United Kingdom, Canada, Federal German Republic, France, Belgium, Australia and Mexico.

Distribution

Our operating companies, licensees and distributors serve customers in over 100 countries.



(top to bottom)
Norman P. Bailey, chairman, Dexion-Comino International Limited;
new Kawatetsu-Interlake Limited facility near Tokyo, Japan; Dexion
Poweracks in a Danish cold storage warehouse; Europe's first
Versatizer strapping system; and Dexion Autoflow conveyor system
in a computer company.

Helping the World Do Its Work

Traveling across the United States and, through the time zones of the world, we can find all kinds of Interlake products in use around-the-clock.

West Coast

In the lettuce fields of Salinas, California farm workers are cutting the crop and packaging the produce right on-the-job with Interlake gas-powered stitching machines mounted on trucks.

About 100 miles north, in San Francisco, pallet loads of general cargo are being shrink-wrapped with Interlake equipment for shipment aboard LASH ships to overseas areas with limited dock facilities. (See Persian Gulf)

Mexico

A company in Chihuahua uses the largest strapping system in Central America, supplied by Acme-Flejes de Mexico, to package its brick products.

Mid-America

Interlake steel touches the lives of many Americans each day. Cars, trucks, buses, farm machinery, airplanes, and recreation vehicles include many parts made with flat rolled steel produced at our mill in Riverdale, Illinois.

Homemakers would be at loss without floor waxes, furniture polishes, aerosol laundry starches and window washing sprays, as well as cosmetics and toiletries. A chemical company in Michigan uses silicon metal produced at our Beverly, Ohio and Selma, Alabama plants as an ingredient in the fluids needed to make these products.

East Coast

A shirtmaking firm in Connecticut boosted material handling capabilities by 300% with an Interlake automated storage and retrieval system.

In New York, a manufacturer of abrasive products uses our inflatable disposable dunnage to protect products during shipment.

A Massachusetts container company ships 170,000 metal cans daily using an Interlake strapping system to secure the pallet loads.

Dominion of Canada

A Canadian cooperative improved distribution from its central warehouse with a fully automated Courier system installed by Redirack Industries Limited.

The world's largest manufacturer of earth moving equipment uses a 28-foot high Redirack binning system for parts storage at a Canadian dealership.

Acme Steel of Canada equipped a particle board producer with a portable strapping machine which can be used on any of three production lines.

A Canadian corrugated manufacturer improved productivity with an Acme strapping system, which includes a conveyor transfer unit, turntables, and package measuring devices.

From Pioneer to Leader

Dexion-Comino International Limited, an early pioneer in storage and material handling, is today an industry leader. Its equipment and systems can be found in almost every type and size business in Europe and around the world.

In United Kingdom

Western Europe's largest and most modern plant for producing nickel based alloys doubled its storage space and improved inventory control with Dexion high-rise, narrow aisle pallet rack at Hereford, England.

The City Museum and Art Gallery, in Bristol, England, displays some of its most valuable treasures in our Apton square tube showcases.

In Nottingham, a Gerrard strapping machine helps an exporter ship 17,000 bicycles a week.

First Versatizer in Europe

Europe's first Versatizer strapping system is operating in one of the world's largest corrugated container plants in Winford, Cheshire, England. The system installed by Gerrard Industries, Limited, automatically cross- straps up to 105 pallet loads an hour.

Around Europe

A manufacturer of inflatable plastic goods in France handles 150 shipments per day with a rack installation from Dexion-Feralco, S.A., which can handle 4,000 pallets.

In Denmark, Dexion poweracks have achieved 80% volume use in a public cold storage facility where mobile pallet racks, individually powered and running on steel rails, allow a single aisle to serve 11 racks.

A computer controlled tobacco warehouse in West Germany is a 7,000 pallet live storage installation made by Dexion GmbH. The facility accommodates 850 million cigarettes and 250,000 kilograms of tobacco.

In Luxembourg, the largest Interlake strapping system in Europe is used by a metals company which straps a steel coil every 35 seconds with the mammoth machine.

Africa

Participants in Algeria's free medical program obtain pharmaceutical and medical supplies from Dexion equipped warehouses in Algiers, Oran and Constantine.

The largest warehouse in Africa is located in Kabwe, Zambia. This general storage facility was installed by Dexion Overseas, Ltd., and has 14,000 pallets on seven levels.

Saudi Arabia

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Metals
Iron/Steel

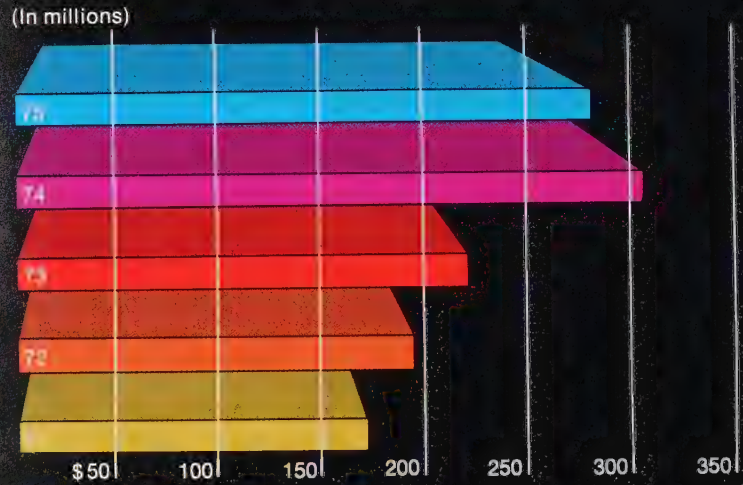
We're an integrated producer of iron and steel with interests in ore mines, pelletizing facilities and coal mines. We operate our own blast furnaces to produce iron—almost 50% of which goes into our own steel. A specialized steel producer, we concentrate on narrow width products made to customer specifications.

1975 Profile

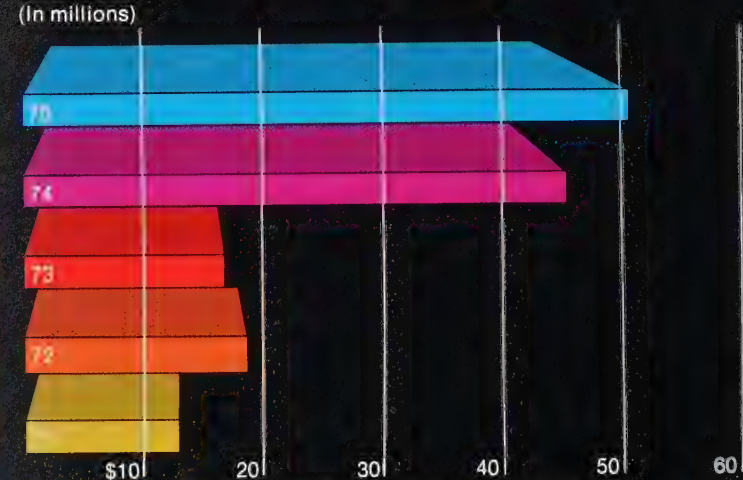
Iron and steel sales revenues declined by 8% from 1974's record levels. Commercial iron tonnage fell 27% primarily because of reduced foundry activity and an increase in pig iron imports. Flat rolled steel shipments declined only 12% despite generally poor overall economic conditions.

Iron and Steel (% of Interlake total)				
(In millions)	1975	%	1974	%
Sales	\$281.5	44	\$305.6	51
Earnings*	50.7	66	45.5	58

Sales



Earnings*



*Before unallocated corporate items and income taxes

Top Performer

In 1975, a difficult year for the steel industry, our business fared very well and we expect to continue operating at a higher rate than others in our industry. Much of our success comes from our ability to offer customers specialized service.

Another reason: our iron and steel operations are stabilized by steel supply demands of our strapping, storage rack and stitching wire businesses.

Major Growth Area

We expect our largest growth to be in high strength formable steel, which offers increased strength without additional weight. In this era of energy shortages, weight reduction is imperative, particularly in autos and trucks, to help conserve fuel. Railroad cars with less weight so greater payloads can be moved also offer a growth market.

Auto Market Rebounding

About 25% of Interlake's outside sales goes to the automotive market. Although automobile sales were down in 1975, an upward trend has already begun. A moderate gain in car and truck sales is forecast for 1976.

Interlake steel is also an important material in America's agricultural industry. Much of our steel is used in farm machinery. Feeding Americans and the people of the world has become a real challenge—and indirectly we're part of that challenge.

Outlook

All indications point to a gradual, but definite upturn in the iron and steel industry. The two positive forces contributing to this recovery will be customers building inventories and increased consumer spending. Although we don't expect steel shipments to reach 1974's record levels, we're quite confident that 1976 sales will improve considerably over 1975's.

We think the predicted general business upturn will increase foundry activity in 1976 and as a result our iron business should improve, too.

Interlake high and low carbon steel is found in pipe, wheels and flanges of this new electric drive irrigation system, plus many other products engineered for the fundamental agriculture market.

Products

Merchant pig iron, molten iron, coke, coal chemicals and sinter; hot and cold flat rolled carbon sheet and strip; hot rolled plates and bars; alloy sheet, strip, plates and bars; electric weld line pipe and spiral weld pipe.

Markets

Iron markets include: the foundry industry, an ingot mold producer in Chicago, and Interlake steel operations.

Steel markets: automotive, machinery and equipment, oil and gas distribution, agricultural, service centers, electrical, and construction industries.



(top to bottom)

Front row, E. F. Stebbins, V.P.-iron and steel operations, and C. R. Lammers, V.P. marketing-steel, back row, S. D. Oker, genl. mgr.-flat rolled products, J. L. Scarry, genl. mgr.-steel plants, and J. W. Duncan, genl. mgr.-coke, iron and raw materials; magnetic crane lifts pig iron into freight car; our steel is used in tractor wheel rims and fenders; timing chains in car engines; and boiler tubing.

Distribution

Merchant pig iron is marketed through Pickands Mather & Co., a leading sales agent for basic raw materials. Our steel is marketed by our own sales force, and by outside sales agents.

Our Strengths

- Advanced research and engineering techniques
- Basic raw material reserves
- Flexible production capabilities
- Personal attention to customer requirements
- Strict quality control
- Service

Iron Production: 1,217,000 tons

Iron Shipments: 579,000 tons to customers

Steel Production: 916,000 ingot tons

Steel Shipments: 585,000 tons to customers

Raw Materials Essential

Dependable supplies of raw materials are essential to this business. Our iron and steel making facilities are supported by ownership interests in mining companies with substantial reserves of iron ore and metallurgical coal.

At the beginning of this century, raw materials were abundant, but today we must be concerned with future sources of supply. Control of basic raw materials enables us to determine our own destiny without being at the mercy of market fluctuations.

Our principal iron ore reserves, at current production levels, are expected to last at least 50 years. Our coal position will be further strengthened when the Scotts Branch Mine reaches production status. We have a 20% ownership in this mine now being developed to have a production of 1,250,000 tons annually for approximately 25 years.

Specialized Customers

Pig iron customers are very specialized, requiring prescription mixes of iron and other elements. The endless variety would stagger the imagination of an old-time ironmaker. Because of our performance in sales and service, our customers look to us as a reputable supplier to the foundry trade.

In spite of reduced pig iron sales, we're still in an enviable position, because about two-thirds of the iron produced at our South Chicago plant goes directly to our Riverdale steel mill. The rest goes to a major ingot mold producer. The entire iron production from our Toledo blast furnace is sold to foundries.

Steel Made-To-Order

Interlake's particular niche in the steel marketplace is its reputation as a specialized "made-to-order" steelmaker with fast, on-time delivery.

Our sales technical service force works closely with established and prospective customers in assessing their problems, and following up to assure their success.

This close liaison between customer and supplier enables us to:

- Develop new customers
- Retain present customers with active technical service programs
- Work with customers on cost reduction projects
- Help customers evaluate material purchases and applications
- Change specification or process to better utilize customer facilities

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Metals

Silicon Metal/Ferroalloys

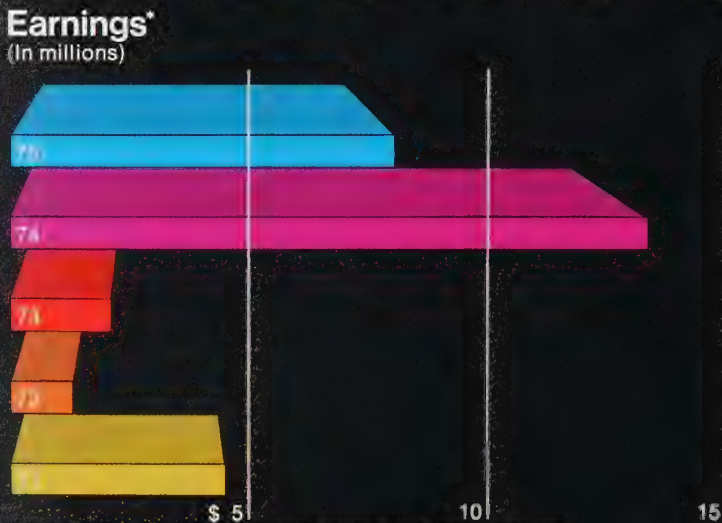
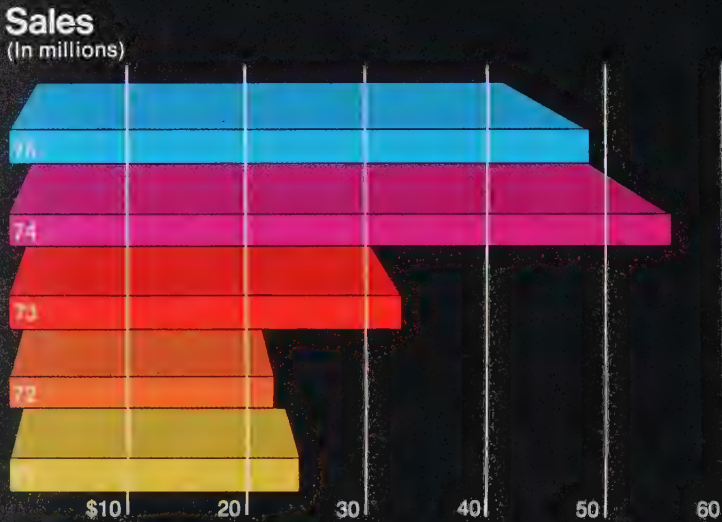
Our Globe Metallurgical Division produces basic metals which are ingredients in thousands of products used daily throughout industry, in homes and schools, on farms and highways and in the air.

1975 Profile

Globe sales dropped 12% in 1975. Demand for silicon metal held at reduced levels, but price increases in early 1975 aided the sales performance. Imports of low priced ferrochromes, coupled with a general decline in the stainless and alloy steel industry caused a fall-off in ferroalloy shipments.

Silicon Metal/Ferroalloys (% of Interlake total)

(In millions)	1975	%	1974	%
Sales	\$48.6	7	\$55.1	9
Earnings*	8.1	11	13.3	17



*Before unallocated corporate items and income taxes

Meets Growing Demand

The growing demands for higher efficiencies, lighter weights, and elimination of pollution will mean an ever increasing role for chromium and silicon in our tomorrows. The use of stainless steels for operating parts has already tripled in automobiles. Its use in household appliances has become an indication of quality. Chemical process equipment in industry is heavily dependent on its use. And transportation design relies on stainless steels for strength with less weight and lower maintenance costs.

Technological Breakthroughs

Silicon compounds offer technological breakthroughs not possible with any other material, and will be major contributors to what is possible in the future. While they pervade our life today in many ways, in the near future they'll be as significant to civilization as chromium steels are today. Engineering design of homes, transportation vehicles, industrial plants, and most things we see or use every day will use these unique properties.

Essential In Electronics

The use of silicon in electronic semiconductor applications is already here. Home appliances, calculators and radios we know about. But, the use of transistors is also paramount in commerce and industry. Phone circuits and information systems, used by commercial and governmental establishments, and industrial control methods which make possible the goods that we live with, all are now heavily dependent on the transistor. Almost everything that advances us down the road of technology increasingly uses these miraculous little pieces of silicon.

Solar Power—Future Use

Power from the sun has been proven in space technology as it powers our space vehicles now circling the earth and probing the unknown. This same power is available for our immediate use on earth and is under development to make it feasible. Silicon again is essential here and will be needed in large quantities.

Our Globe Division has established a firm position in the fields of silicon and chromium, and plans on being a major contributor to the changing world we live in.

Hot silicon metal produced in the new furnace at Alamet is shown in cast house mold as it begins to solidify after being poured from portable ladle.

Products

Silicon metal, high and low carbon ferrochrome, and low carbon ferrochromium silicon.

Markets

Key silicon markets include these industries: chemical, aluminum, automotive, steel and electronics.

Ferrochrome alloy markets include: iron and steel, foundries, stainless steel and alloy steel.



(top to bottom)
Our new baghouse for air pollution control at the Alamet plant; silicon chips are used in computerized material handling systems like Interlake's new microprocessor; new silicon metal furnace at Alamet; ferroalloys and silicon metal; G. Tatterson, Jr., asst. genl. mgr., J. S. Atkins, plant mgr.-Alamet, W. R. Meredith, plant mgr.-Beverly, front, A. D. Gate, genl. mgr.

Distribution

Marketed by Pickands Mather & Co., a leading sales agent for raw materials.

Our Strengths

We've achieved a strong reputation among customers because of:

- Reliability
- Careful attention to customers' quality and operating needs
- Research and analytical capabilities unique to this industry
- Adequate raw material sources for silicon metal

Production: 58,000 tons
Shipments: 56,000 tons to customers

Optimistic Outlook

The Globe Metallurgical Division's outlook for late 1976 and the long term is one of optimism. The ferrochrome industry expects to be at 70 to 80 percent of capacity by year-end on the rebound from a topsy-turvy 1975 which saw a high operating rate of 110 percent and low of 30 percent.

Import Problems

Chromium imports continue to be a problem. According to the Bureau of Mines, low-carbon ferrochrome imports were 58,979 tons, equal to 70 percent of total domestic usage of 84,000 tons through November, 1975.

In high-carbon, imports were 251,920 tons—40 percent more than the 180,000 tons used during that period. This same trend continued for the balance of the year and accounts for some of the huge customer inventories and the sales slump.

Major Supplier

The United States has only five ferrochrome producers. Globe and two other domestic producers manufacture low-carbon ferrochrome. Our scheduled annual capacity is 28,000 tons of low-carbon ferrochrome from our furnace operation at Beverly, Ohio. Our strength is in low-carbon ferrochrome rather than in the lower valued and more available charge chrome. Alloy and specialty steel firms are our principal markets.

Two large furnaces at Beverly produce silicon metal. Coupled with our Alamet facility, in Selma, Alabama, where a second furnace went on-stream in 1975, our silicon metal capacity now is 46,000 tons annually.

Metals of Today/Tomorrow

Stainless and alloy steels based on chromium are important elements in our present standard of living. These have already achieved importance in our daily lives equal to that of iron in the 18th and 19th centuries. The ability to resist corrosion and maintain strength over wide temperature ranges has made possible the use of steel for applications where other materials are unsatisfactory.

Silicon compounds (silicones) are of even more recent vintage, but have rapidly become an integral part of today's scene. The unique properties of silicones contribute to many things we use, from the housewife's furniture polish to the spaceman's protective suit and the vehicle in which he landed. The silicon-based transistor has become the heart of many electronic devices which govern our age.

Meets Growing Demand

The growing demands for higher efficiencies, lighter weights, and elimination of pollution will mean an ever increasing role for chromium and silicon in our tomorrows. The use of stainless steels for operating parts has already tripled in automobiles. Its use in household appliances has become an indication of quality. Chemical process equipment in industry is heavily dependent on its use. And transportation design relies on stainless steels for strength with less weight and lower maintenance costs.

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Hot silicon metal produced in the new furnace at Alamet is shown in cast house mold as it begins to solidify after being poured from portable ladle.



Metals Metal Powders

Hoeganaes Corporation, an 80% owned subsidiary, is a pioneer and leader in powder metallurgy (P/M) technology and ferrous powder production. Hoeganaes' major market, powder metal parts, is one of the fastest growing metalworking technologies today. Our research facilities are unique in the industry, providing a continuing program of product innovation. Metal powder technology provides increased productivity, lower costs and improved quality.

1975 Profile

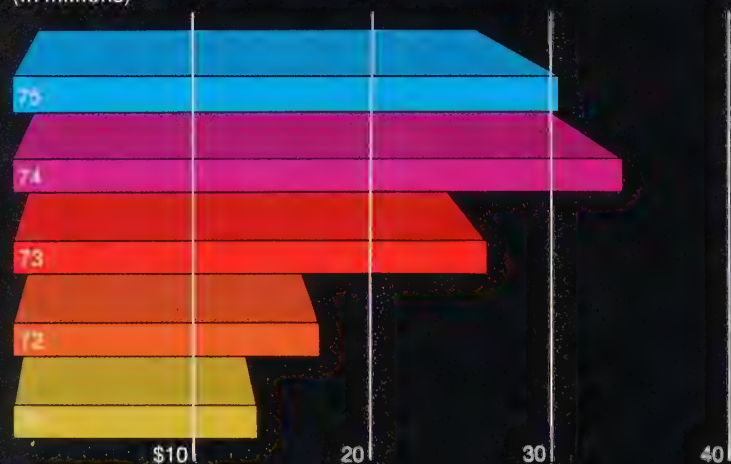
A strong fourth quarter aided sales, but the yearly total was 11% below the record 1974 level. The automotive industry contributed mainly to the decline and to the recovery late in the year.

Metal Powders (% of Interlake total)

(In millions)	1975	%	1974	%
Sales	\$30.4	5	\$34.0	6
Earnings*	4.0	5	3.5	4

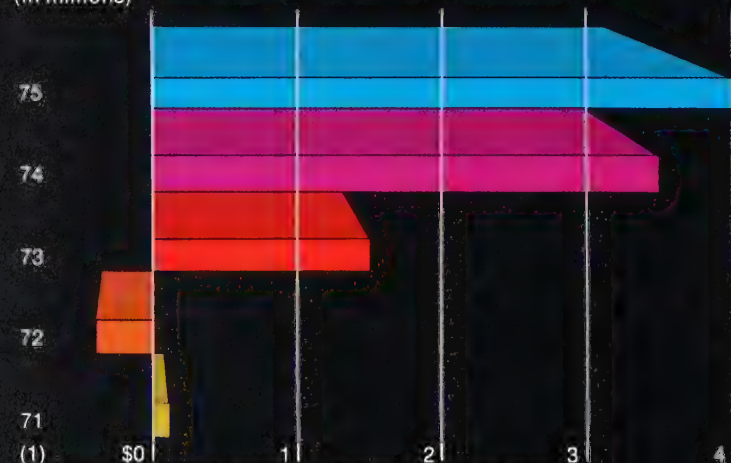
Sales

(In millions)



Earnings*

(In millions)



*Before unallocated corporate items and income taxes

New Application

One of the most significant new applications of iron powder is in copying machine chemicals. This new and interesting market is in its early stages. Several manufacturers are already using our iron powders in their machines' photocopying systems. This is in addition to Hoeganaes ferrous powders being used to manufacture mechanical components of the copy machines.

Used in Health Care

Our iron powders are also contributing to the health care field. A major pharmaceutical company uses iron powder as a catalyst in producing an anti-hypertensive agent for controlling high blood pressure, a symptom suffered by 10% of the adult population. It may seem a small role that iron powder is playing in controlling high blood pressure, but it's an important and effective one.

New Products

Several new products were introduced during 1975 which further strengthen our position:

- ATW-438, a high density welding electrode coating powder, offers manufacturers faster production and reduced costs by permitting more metal deposition per hour.
- Ancorsteel 1000B, a high compressibility P/M powder, is unique to Hoeganaes. It is extremely beneficial for electromagnetic parts which require high density.
- Thermoflame, a new cutting powder, generates high temperatures for cutting high alloy steels.

Expect Steady Growth

We expect powder markets to grow at an average rate of 12% per year for the next three years. At this rate, industry capacity should satisfy demand through 1977. However, new and unusual prospects for powder applications would advance this forecast if they should materialize rapidly.

For the long term, indications are that the powder metal market will more than double by 1985. This industry is still in the growth stages and its commercial and technical advantages are only partially explored. Materials and applications research has been, and will continue to be, an on-going program at Hoeganaes. Many benefits remain hidden in the largely untapped capabilities of metal powders and P/M techniques. New types of metal powders are continually being developed.

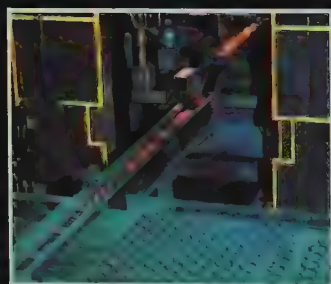
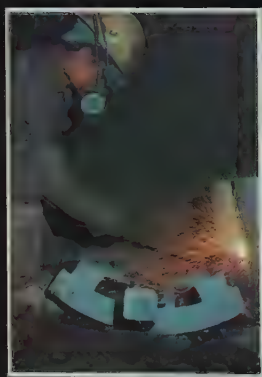
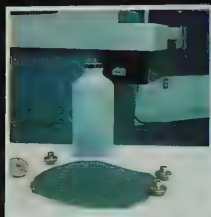
Precision parts are made to extremely close tolerances, at high production rates, with minimum machining operations, and at reduced costs with Hoeganaes' metal powders.

Products

Iron, steel, low alloy, stainless steel and high alloy powders; iron powders for welding electrode coating, flux-cored wire filler and submerged arc welding filler metal; hardfacing alloy powders; flame cutting powders; magnetic particle inspection powders; powders for chemical and medical uses.

Markets

Automotive, agriculture, appliance, construction equipment, business machine and chemical industries.



(top to bottom)
R. R. Fayles, president, and R. Holmes, V.P.-marketing; metal powders are used to make chemical toners and mechanical components for office copying machines; precision made P/M parts; flame cutting high nickel alloy casting with iron powder; hot formed P/M parts production line in automotive plant.

% of Shipments For:

Powder metal parts, 66% ; welding 24% ; miscellaneous, 10%.

Distribution

Marketed domestically and overseas by company sales force and agents.

Our Strengths

- Industry pioneers and leaders in materials research, product development and powder applications
- Leader in technical customer service activities with new and unique research facilities
- Active in developing welding techniques and applying powders to upgrade welding operations

P/M Production: 68,000 tons

P/M Shipments: 78,000 tons

Growth Has Been Dramatic

Our metal powders business is a developing industry and an exciting growth area for Interlake. Although sintered powder metallurgy (P/M) is not new, it was not until the 1960's that P/M became less of an art and more of a proven technique.

This industry has grown dramatically during the last decade and new applications for powder metals are constantly opening up. Today, complex, intricate parts weighing 20 pounds and more are being made regularly. And the future holds more promise for great strides and achievements in the metalworking industry through P/M technology. Powder manufacturers, equipment manufacturers and parts fabricators are enthusiastically seeking solutions to problems through new applications of P/M technology.

Speeds production

In large volume industries, powder metal parts are frequently specified. The major reasons: industry's need for simple processing by which strong, complex parts can be made to extremely close tolerances at a high rate of production, with minimum machining and attractive cost savings.

Four Major Markets

The ferrous powder market has four segments: powder metal parts, welding, chemical and cutting.

Powder metal parts account for about 66% of our business. The automotive industry consumes most of our iron powders for P/M parts made both in-plant by the Big Three auto manufacturers and by many customers who are parts jobbers to the Big Three.

A depressed automotive industry accounted for our decreased sales in 1975. However, this industry is showing signs of a real come-back during 1976. Continued growth in the long term is expected as automakers respond to consumer demand for smaller, fuel-efficient cars. The energy situation is forcing major changes in vehicle designs and we know this is opening many new opportunities for metal powder parts.

Household appliances also consume a large quantity of P/M parts. A typical washing machine uses iron, steel and stainless steel parts for bearings, gears and other wear applications. P/M parts are also used in the pump and electric motor driving the washing machine.

New Application

One of the most significant new applications of iron powder is in copying machine chemicals. This new and interesting market is in its early stages. Several manufacturers are already using our iron powders in their machines' photocopying systems. This is in addition to Hoeganaes ferrous powders being used to manufacture mechanical components of the copy machines.

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For the long term, indications are that the powder metal market will more than double by 1985. This industry is still in the growth stages and its commercial and technical advantages are only partially explored. Materials and applications research has been, and will continue to be, an on-going program at Hoeganaes. Many benefits remain hidden in the largely untapped capabilities of metal powders and P/M techniques. New types of metal powders are continually being developed.

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Material Handling

Packaging/Fabricated Products

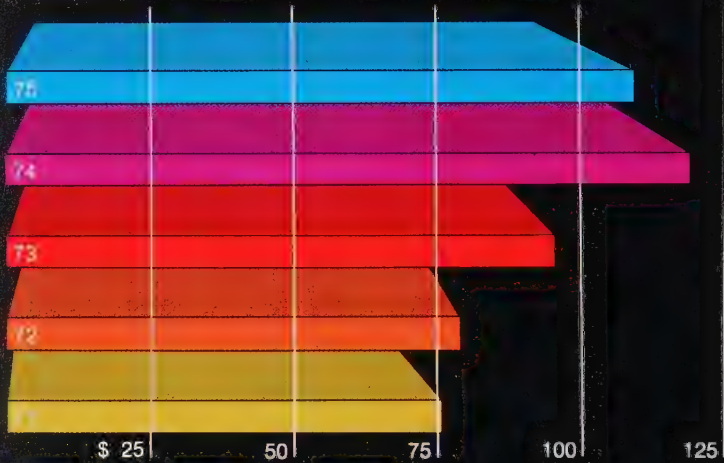
Interlake is a leading producer, marketer and supplier of quality packaging systems and products, and fabricated products, which provide savings in labor and material to customers around the world.

1975 Profile

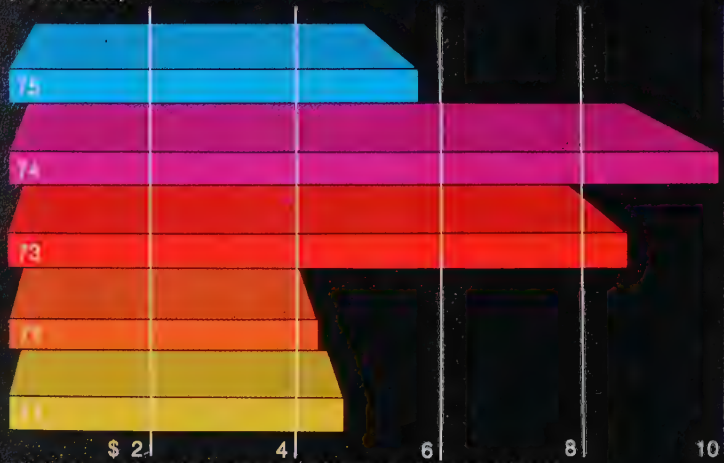
Packaging product sales fell 8% in 1975 primarily in domestic markets. Steel and non-metallic strapping were most affected by the sluggish industrial economy. Increased sales of strapping equipment throughout the world brightened an otherwise depressed year.

Packaging/Fabricated Products (% of Interlake total)				
(In millions)	1975	%	1974	%
Sales	\$109.1	17	\$119.2	20
Earnings*	5.7	7	9.8	13

Sales
(in millions)



Earnings*
(in millions)



*Before unallocated corporate items and income taxes

- Appliance—New two-ply disposable air cushion exclusively for truck shipments of appliances and containers is reducing in-transit damage.
- Beverage—New stretch film and wrapping equipment as an alternative to energy consuming shrink wrapping equipment.

Numerous other ideas are on the drawing boards with the emphasis on low cost, energy saving products and systems.

Dual Distribution

To maximize our marketing effort, we have our own sales force as well as a nationwide distributor network. Each distributor maintains warehouse facilities giving us a much broader geographical supply network than would otherwise be practical.

This program enables us to make our product readily available to thousands of smaller customers and keeps us closely attuned to changes in the marketplace.

Training Programs

To keep our sales force, as well as our distributor personnel, informed about product development, new technologies, and marketing strategy, on-going training programs are provided. Many of these are held in our Idea Center, at Riverdale, where we demonstrate our products and enable customers to pre-test equipment recommended for their plants.

Sessions are also held at our various regional sales offices and at distributor locations. Audio-visual training programs, which we produce in-house, are also provided distributors in outlying areas.

Custom Metal Forming

The acquisition of A. J. Bayer Company adds a new dimension to our versatility—custom formed metal. Bayer can press form, fabricate and finish product components to the most exacting customer specifications.

Based in Torrance, California, the Bayer pressed steel department can handle cold or hot forming, punching, pressing and corrugating jobs, as well as powder and submerged arc welding. The facility is equipped with the widest brake press in the country.

Our single-source capability was enhanced with the addition of the Bayer conveyor line, which is now part of our Material Handling/Storage Division. Bayer conveyors are being engineered into many of our systems.

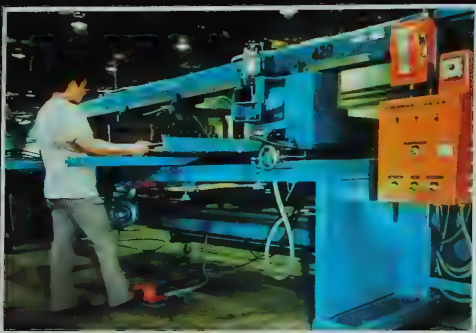
Metals companies throughout the United States use Interlake strapping systems. This dual head automatic machine straps two coils per minute in an aluminum hot mill.

Products

Steel, nylon and polypropylene strapping; stitching wire and machines; strapping tools, machines and systems; Edgeboard; disposable and reusable dunnage bags; shrink film, accessories and tunnels; stretch film and wrapping systems.

Markets

We serve customers throughout the world, but our major markets are in the following industries: primary metals, fruit and produce, meat packing, automotive, textile, forest products/paper, food, fabricated metals, brick/block, and wholesale trade.



(top to bottom)
Semi-automatic heavy duty dual seam stitcher in corrugated box plant; new stretch wrap system; disposable dunnage protecting freight car shipment; country's largest brake press in Bayer pressed steel department; front row, O. W. Creasman, genl. mgr.-administration, and M. P. Hunt, genl. mgr.; back row, R. W. Hardie, genl. mgr.-sales, P. S. Landis, vice president.

Distribution

Dual distribution by nationwide company sales force and distributors.

International markets served by company sales force and licensee/distributors.

Our Strengths

We have a significant position in this business and numerous competitive advantages:

- Full service source capable of providing customers turnkey production/distribution systems
- An integrated producer with our own steel mills and quality control from mine to customer
- Broad product lines continually expanding to supply ever-changing needs of the marketplace
- Experienced manpower in all operating, engineering and marketing areas
- Special systems and engineering capabilities
- Distributor know-how and integrated worldwide marketing

Great Growth Potential

Businesses throughout the world are looking for ways to cut costs and improve efficiency more than ever because of the economic adversities experienced in 1975. One of the most promising areas is packaging and containerization.

At a time when the experts are forecasting an upturn in the economy, we're in a position to provide individual products or turnkey systems to help companies in nearly every industry move goods more easily at less cost with minimum damage.

\$30 Billion Market

Business has come to realize it must minimize the problems of physical distribution and damage. There are thousands of corporations in the United States which collectively will spend more than \$30 billion in packaging materials and equipment in 1976.

Reorganize Division

Reorganized during 1975, our Packaging and Fabricated Products Division enters 1976 with strengthened capabilities.

Functions relating to engineering, design, manufacturing, sales and service were consolidated. In addition, supervision for sales, production and administration were realigned to provide more concise, efficient operations.

Response with reliability has earned us a reputation for quality in product and performance. Regardless of the size of the project, we have the facilities, technology, personnel and financial resources to respond.

Market Selectivity

With almost every business a potential customer, market selectivity is of vital importance. We pursue markets in which we have the expertise to analyze customer needs and the technology to produce products and systems that trim costs and improve efficiency wherever goods are moved, packaged, stored or shipped.

Product Innovations

Our future lies in the ability to create innovations and to integrate these advances into the total material management system. Product innovations recently introduced include:

- Textile—A versatile compression unit which can be installed on existing baling presses or incorporated into new systems.
- Fruit and Produce—Drape feed unitizing system—straps 30 to 50 pallets per hour, using steel or plastic strap, lowers handling time, and reduces in-transit damage. Also, the fruit and produce industry began using our Edgeboard—a tough, laminated paperboard formed into a rigid 90-degree angle, for package protection.
- Steel—New low cost strapping system for banding steel coils.

- Appliance—New two-ply disposable air cushion exclusively for truck shipments of appliances and containers is reducing in-transit damage.
- Beverage—New stretch film and wrapping equipment as an alternative to energy consuming shrink wrapping equipment.

Numerous other ideas are on the drawing boards with the emphasis on low cost, energy saving products and systems.

Dual Distribution

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Metals companies throughout the United States use Interlake strapping systems. This dual head automatic machine straps two coils per minute in an aluminum hot mill.



Material Handling Material Handling/Storage

Interlake produces and markets a complete line of storage products and material handling equipment on a worldwide basis. We help our customers solve material management problems by reducing costs of buildings, inventory control and finished goods distribution.

1975 Profile

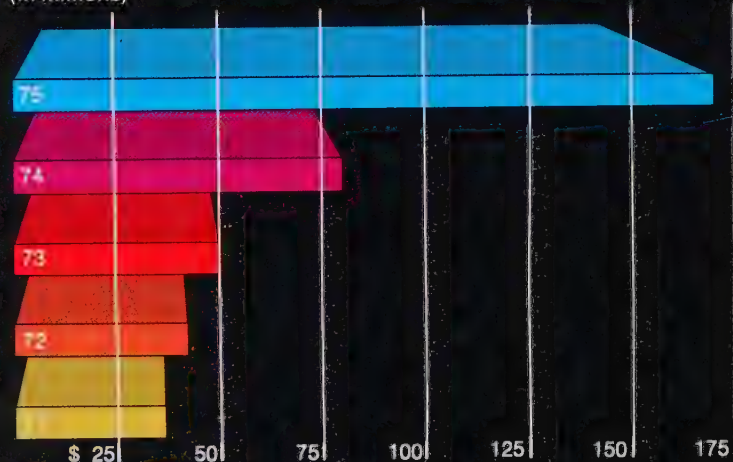
Storage product sales rose to \$171.2 million—more than double the 1974 total. This increase was due to a full year's results from Dexion-Comino International Limited, acquired in October, 1974, and the conveyor business of A. J. Bayer Company.

Material Handling/Storage (% of Interlake total)

(In millions)	1975	%	1974	%
Sales	\$171.2	27	\$79.9	14
Earnings*	8.8	11	6.6	8

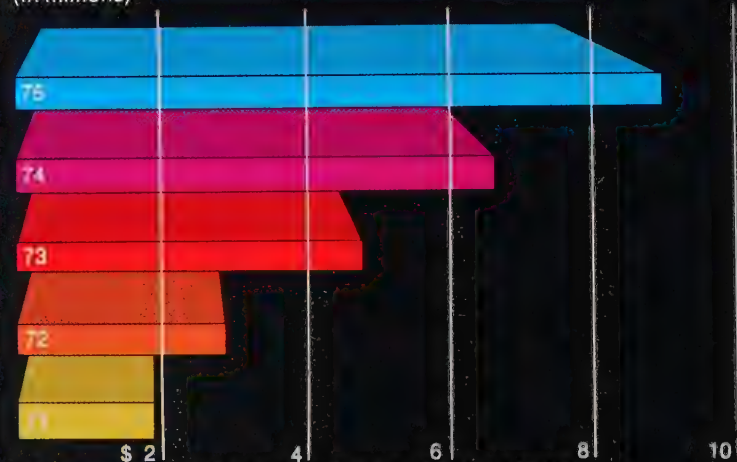
Sales

(In millions)



Earnings*

(In millions)



*Before unallocated corporate items and income taxes

New Computerized System

With 325 U.S. manufacturers making equipment in this market, Interlake must keep ahead of competition. Our newly introduced microcomputer storage/retrieval system is an example of how we keep pace with the state-of-the-art.

Currently being installed in a midwest plant producing automatic washers and dryers, the compact microcomputer is simple to program and operate. Coupled with Courier equipment it can function as a stand-alone system or be designed to control complex multi-unit operations.

Microprocessors and microcomputers greatly increase the reliability of electronic controls in manufacturing. Mechanical relays, gears, wheels, and a large variety of control parts are eliminated thus minimizing maintenance. The microprocessor replaces about fifty integrated circuits abolishing approximately 1,200 interconnections.

New Product Lines

In addition to manufacturing and marketing the most complete line of shelving and storage rack, acquisition of A. J. Bayer Company gives us a conveyor line.

Our product mix also now includes office modules and display fixtures. The Apton line, part of the Dexion acquisition, is being produced at our Newburgh, N.Y. and Lodi, Calif. facilities.

Distributor Advisory Council

We use a dual distribution system employing our own sales force as well as distributors. Distributors are an essential part of our marketing program and to create effective two-way communication with them we established the Interlake Distributor Advisory Council.

The purpose of this Council is a free exchange of constructive ideas to enable both Interlake and its distributors to evaluate and strengthen each other's functions and marketing skills.

The organization consists of three Interlake representatives and at least one distributor from each Interlake sales region.

International

The most rapid growth in this industry is forecast for Europe and Japan. Our acquisition of Dexion-Comino International, along with our joint venture with Kawasaki Steel, in Japan, were important moves in these markets.

Dexion has major operations in England, Germany and France and distributors in over 100 countries.

During the past year, our operations in Europe have been reorganized with administrative changes and manufacturing improvements keyed to our long-range plan. Dexion, along with our Canadian and Australian operations, accounts for more than half the division's volume.

Vital Growth Market

The new Kawatetsu-Interlake Ltd., a sales and engineering joint venture near Tokyo, will be in operation early in 1976. Japanese industrial and commercial companies are finding it necessary to maximize storage space as real estate is difficult to acquire. This is a vital growth market in our long-range plan.

Interlake's new microcomputer storage/retrieval system can operate as a stand-alone system or be programmed to control a complex multi-unit storage operation like this one.

Products

Automated and manual storage and retrieval systems, shelving, steel storage rack, framing, self-dumping hoppers, slotted angle, safety decking, conveyors.

Markets

We serve a wide-range customer base with major users in the food, automotive parts, lumber, textile and furniture industries.



(top to bottom)
Automated material handling system in frozen food warehouse; A. J. Bayer, conveyor; front row, W. C. Lorden, vice president, F. P. Boulais, genl. mgr.-manufacturing, G. L. Faulstich, Jr., genl. mgr.-storage products, and R. R. Warns, genl. mgr.-marketing; seismic rack installation in quake prone zone; Apton display fixtures in retail store.

Distribution

Our storage products are marketed by separate sales and distributor organizations. Complex engineered systems are marketed directly by Interlake sales engineers.

Our Strengths

- Experienced management
- Single-source supplier with broad product line and technical expertise
- Handle entire systems from initial research through design and concept formulation, equipment selection and installation
- Production of complete product lines at our Illinois, California and New York plants
- Proven capability in research, development, manufacturing and marketing
- Integrity of effort—no matter how simple or complex the job
- Extensive force of marketing engineers, strategically located, thoroughly trained in all facets of material handling
- Interlake Distributor Advisory Council (INDACO) to improve communications with our customers.

Challenging Year

During the past year, which was a challenging one for this division, we made improvements which should help us be more successful in 1976.

Expansion programs and prior acquisitions in the United States and overseas improved our manufacturing capability, broadened our product mix, bettered our service to customers, and made us a single-source supplier of complete systems.

To take advantage of these improvements, the material handling and storage segment of Interlake's business was reorganized into a new division during 1975.

1976 Looks Better Than '75

As the economy expands, 1976 will offer more opportunity in material handling than 1975. But we also expect continuing business with many large firms that stayed with their long range plans rather than cut back in 1975.

One such company, a large frozen food supplier, completed an Interlake designed rack-supported building last July—the first structure of its kind in this field.

Construction costs for the building were 20 percent lower than normal; operating labor costs were reduced approximately 75 percent; and refrigeration costs are reported running 50 percent lower because of Interlake engineered "air lock" equipment.

Another installation in a warehouse servicing a multi-store supermarket chain in Texas was also completed in 1975. This is one of our major growth markets and these installations are examples of our expertise in this market.

Great Growth Potential

One consequence of the temporarily depressed economy was that American industry sharpened its focus on the role of material handling. One of the Big Three auto makers reported that material is in its plants being handled or stored 95 percent of the time—not being fashioned into a useful or ornamental product. Only five percent of the time is the material being transformed or manipulated to add value.

Conservative estimates indicate that material handling accounts for 20 to 50 percent of the manufacturing dollar. The annual cost in American production for material handling exceeds 75 billion dollars. So, the growth potential of this division is obvious.

Automation Highly Reliable

The high degree of reliability of automated devices has opened up an entirely new area for coordinating warehousing and production facilities. This greatly reduces the material handling cost by controlling manpower and inventory, while producing greater flexibility in manufacturing.

A Wisconsin firm uses an Interlake semi-automatic Courier storage/retrieval system to continually feed its assembly lines. The company reports savings through improved inventory control and production scheduling.

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Operating/Financial Review

Worldwide sales for 1975 reached a new record due to the inclusion of a full year of the storage products operations of Dexion-Comino International Limited, acquired in late 1974. Interlake experienced a strong first quarter benefiting from large backlogs at the end of 1974. The next six months saw demand slacken, but the year ended with a strengthening fourth quarter. The near record earnings performance of continuing operations is attributable to the company's ability to hold down operating expenses and to maintain or, when possible, to increase selling prices to recover cost increases.

The key financial achievements in 1975 were:

- Net sales of continuing operations in 1975 reached \$640.8 million for an increase of \$47 million, or 7.9%, from 1974 sales of \$593.8 million. Material handling and storage products sales accounted for the increase with declines experienced in Interlake's other businesses.
- Income of continuing operations was at a near record level in 1975 totaling \$39.7 million, within 2% of the record 1974 performance of \$40.3 million of continuing operations. The lower average number of common shares outstanding in 1975 allowed net income of continuing operations per common share of \$7.34 to exceed by 2% the comparable \$7.19 per share in 1974 (restated for the three-for-two stock split in October, 1975). The company purchased 241,950 shares during the year.
- Capital expenditures of \$35.9 million exceeded the record of \$25.5 million achieved in 1974 by \$10.4 million, or 41%. Expansion projects accounted for 32% of the corporate total—the highest amount in over a decade.
- Financial condition continued to improve with a cash flow of \$52.4 million, record working capital of \$109.4 million at year-end, and an improved current ratio of 2.0 to 1 compared to 1.6 to 1 at the end of 1974.

Operating Results

The restructuring of Interlake's material handling businesses created the Packaging and Fabricated Products Division and the Material Handling/ Storage Division; this action recognized the broadening worldwide scope of the company's operations. The sale of the furnishings and gas products business further altered the line-up of Interlake's major components. Interlake's 1975 sales reached an eighth consecutive record year because a general decrease in volume in the metals businesses was overcome by record sales in the material handling businesses. Sales by Interlake's continuing businesses in 1975 and 1974 were:

(In millions)	1975		1974	
	Amount	%	Amount	%
Iron/Steel	\$281.5	44%	\$305.6	51%
Silicon Metal/Ferroalloys	48.6	7	55.1	9
Metal Powders	30.4	5	34.0	6
Packaging/Fabricated Products	109.1	17	119.2	20
Material Handling/Storage	171.2	27	79.9	14
	<u>\$640.8</u>	<u>100%</u>	<u>\$593.8</u>	<u>100%</u>

This detail illustrates the greater diversification achieved through the 1974 acquisitions in material handling and storage products.

Iron/Steel

Decreased volume highlighted the results of 1975 as sales of \$281.5 million reached 92% of record 1974 sales of \$305.6 million. After the first quarter, demand evaporated quickly and recovery was slow but noticeable in the fourth quarter. Each of Interlake's major product groups of pig iron, molten iron, flat rolled steel, rolled steel products and tubular steel products realized reduced volume in 1975.

Iron tonnage shipped fell 27% below 1974 volume. In 1975, pig iron sales moved away from customer allocation and allowed replenishment of depleted coke and pig iron inventory levels caused by coal shortages due to the coal miners' strike and a furnace outage for reline in 1974. The overall drop in volume in 1975 was attributed to increased pig iron imports of 60% over the 1974 period and lower scrap prices coupled with dramatically reduced foundry activity. Imports from Canada, Japan, Hungary and Sweden were indicative of surpluses due to the general low level of world demand. In addition, molten iron for ingot molds dropped from the record 1974 level as steel industry activity diminished.

Shipments of flat rolled steel products outperformed the other products in the iron and steel business. Volume of 486,000 net tons represented a 12% decrease from 1974.

Tubular products sales in the form of spiral weld and line pipe realized a 52% fall-off from 1974. The decrease in expansion and drilling activity by oil transmission and producing companies was related to government controls and an uncertain energy policy.

Silicon Metal/Ferroalloys

Demand for silicon metal persisted at modestly reduced levels in 1975; however, shipments of ferrochrome alloys declined 52% and led an overall volume drop of 37% from 1974. Sales of \$48.6 million in 1975 fell 12% from the \$55.1 million recorded in 1974. Selling price increases in late 1974 and early 1975 aided the sales performance.

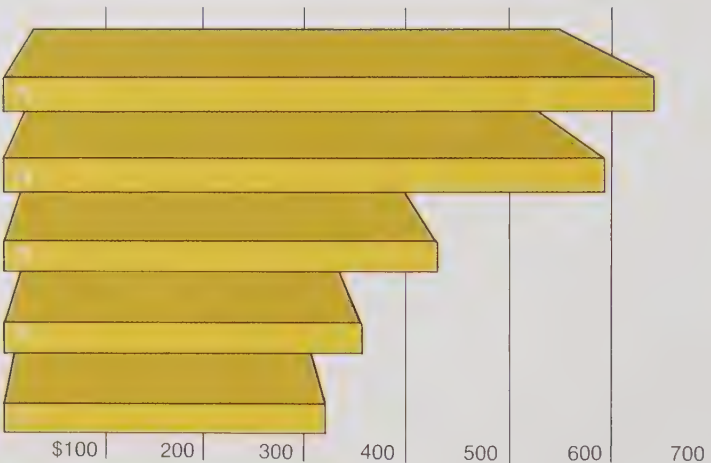
Imports of low priced high carbon ferrochromes, coupled with a general decline in the steel industry generated a decline in demand for ferrochrome products.

Silicon metal volume to the two principal markets of the chemical and secondary aluminum industries remained fairly strong in 1975.

The second silicon metal furnace at Selma, Alabama, completed in December, 1975, will increase production capacity by about one-third.

Net Sales

(in millions)



Metal Powders

Accelerated quarterly demand throughout 1975 typified the sales pattern for metal powders. Sales of \$30.4 million in 1975 were 11% below the 1974 total of \$34.0 million. However, volume declined 24% below the record 1974 level. Major declines in pre-mixed and high alloy powders led the volume drop which extended to all grades of powders. Price increases in 1975 averaged less than 5%. Resurgence of the major automobile manufacturers and related parts producers led the recovery during the year. The fourth quarter demand saw a return to customer allocations as a major repair program preempted use of the second tunnel kiln until early 1976. These high demand levels provide an optimistic outlook for next year.

Packaging/Fabricated Products

Increased placements of strapping equipment throughout the world brightened an otherwise depressed year. Total sales in 1975 of \$109.1 million fell 8%, primarily in domestic markets as illustrated below:

	1975		1974	
(In millions)	Amount	%	Amount	%
Domestic	\$ 72.2	66%	\$ 79.4	67%
International	36.9	34	39.8	33
	<u>\$109.1</u>	<u>100%</u>	<u>\$119.2</u>	<u>100%</u>

Domestic sales were aided by a full year's sales of pressed steel and bronze products which were part of the A. J. Bayer acquisition in December, 1974.

Steel strapping prices were increased in October, 1975, in response to increased employment and material costs. These increases, coupled with the full year's impact of 1974 price increases, added \$10.0 million to 1975 sales over those in 1974.

Volume declines in steel and non-metallic strapping mirrored the sluggish industrial economies of the U.S., Europe, and Mexico and the strike hampered paper and lumber industries in Canada. Slippage in domestic stitching wire volume was aggravated further by severe weather conditions in Central America and a slow recovery from the damage to our banana plantation customers. In total, volume in steel packaging products fell 28% from 1974; the decline in international markets was held to 20%.

Our Belgian and English subsidiaries were particularly successful in steel strapping machine placements in 1975. European equipment activity increased 42% over 1974. Major installations included a rod compactor system for the British Steel Corporation, and the completion of a hot coil strapping system in Luxembourg.

Material Handling/Storage

Significant backlogs at the end of 1974 were eroded during the year and sales levels deteriorated except in Canada and England. Sales of \$171.2 million in 1975 were more than double the 1974 total of \$79.9 million. However, the inclusion of a full year's results of Dexion-Comino International Limited, acquired in October, 1974, and the conveyor business of A. J. Bayer, acquired in December, 1974, more than accounted for the increase.

Engineered storage systems buoyed sales within the United States by holding at 1974 levels for the year; slotted angle and pallet rack sales fell 18% in the face of retrenchment of capital investment and a recessionary economy. The acquisition of the Dexion plant in Newburgh, New York provided the desired geographic flexibility of production facilities necessary to economically service all U.S. markets. However, reduced production activity followed the sales trends at Newburgh and at the Lodi, California and Pontiac, Illinois plants.

The expanded Canadian production facilities, completed in 1974, allowed the solicitation of major orders for 1975 delivery. This volume sustained the high level of sales activity

in the first half and allowed the full year's results to approximate the 1974 level.

United Kingdom sales and exports showed surprising strength and accounted for \$50.5 million of the 1975 total. This performance matched the comparable pre-acquisition sales level and overshadowed modest volume declines. Intensified export activity in oil producing countries overcame sluggishness in more established markets. Economic declines in other European markets and in Australia took a severe toll on the sales of the other international subsidiaries.

Operating Profit

Income before taxes and unallocated corporate items of continuing operations was \$77.3 million, compared with \$78.7 million in 1974. This performance was better than volume declines would indicate and was attributable to tight costs controls, the full year's benefit of much needed 1974 price increases, and the contributions of acquired businesses.

The comparative income by major businesses in 1975 and 1974 were:

	1975		1974	
(In millions)	Amount	%	Amount	%
Iron/Steel	\$50.7	66%	\$45.5	58%
Silicon Metal/Ferroalloys	8.1	11	13.3	17
Metal Powders	4.0	5	3.5	4
Packaging/Fabricated Products	5.7	7	9.8	13
Material Handling/Storage	<u>8.8</u>	<u>11</u>	<u>6.6</u>	<u>8</u>
	<u>\$77.3</u>	<u>100%</u>	<u>\$78.7</u>	<u>100%</u>

Iron/Steel

Earnings growth of 11% for iron and steel brought income to a record \$50.7 million in 1975 from the \$45.5 million reported in 1974. Income gains over 1974 were limited to the iron operations and were aided by:

- a \$10.0 million settlement of a dispute with a raw material supplier.
- increased income from the operations of Olga Coal in which Interlake has a 37% interest.

An extended strike at our 10.2% owned Wabush ore mine in Canada had an adverse impact on these results; however, with reduced demand, blast furnace operations were not affected.

The earnings performance of steel operations was down from the 1974 level primarily because of the decline in tubular steel products and increased costs of raw materials, fuels, and labor.

Silicon Metal/Ferroalloys

The impact of reduced shipments and higher costs lowered 1975 income of the silicon metal and ferroalloy business to \$8.1 million from the record \$13.3 million in 1974. Reduced electrical power delays and improved operating efficiencies limited the income drop. Significant increases in labor, electrical energy, and raw material costs added to the depressing effect of lower volume on income. Income on all major products fell from the record 1974 levels.

Income

Metal Powders

The demand surge experienced in the fourth quarter aided the income performance of metal powders. Income for 1975 of \$4.0 million increased 14% over the \$3.5 million recorded in 1974. Lower scrap prices tended to limit the impact of increases in the costs of other goods and services, primarily fuels. Because of low demand early in the year, strict cost controls were prescribed and retained throughout the recovery in the last nine months of the year; this permitted income performance to exceed sales performance.

Packaging/Fabricated Products

The impact of the volume declines in steel strapping and stitching wire reduced the 1975 income of packaging and fabricated products to \$5.7 million from \$9.8 million in 1974. Production, personnel, and service cost reductions in the year and improved earnings of international subsidiaries prevented a further deterioration in realized income. The favorable effects of selling price increases were significantly eroded by increased costs of raw materials and labor.

Material Handling/Storage

The earnings growth trend of material handling and storage products continued into 1975. Income of \$8.8 million increased 33% over the record \$6.6 million in 1974. This performance was achieved by the maintenance of 1974 earnings level at domestic operations, a 27% gain in Canadian results, and additions to income from acquisitions.

In the United Kingdom, the acquired Dexion operations generated income at over 90% of the pre-acquisition amounts and bucked the generally gloomy trend of industrial results. The Continental European operations were less satisfactory because of depressed economic conditions.

The start-up costs of the new rack manufacturing facility at Kilnhurst, England cut income in 1975 and realized sales fell below expectations.

Kawatetsu-Interlake Ltd., Interlake's entry into the Japanese storage rack market, is proceeding on schedule. 1975 income was adversely affected by the pre-operating expenses of the joint venture marketing company. Initial production and sales are anticipated in the first quarter of 1976. New production and marketing facilities and staff were essentially in place at the end of 1975 to launch the drive for a major share of this important world market.

Income of continuing operations in 1975 reached \$39.7 million, but fell 1.4% from the record \$40.3 million in 1974. Income per common share rose 2% to \$7.34 from \$7.19 in 1974. This per share improvement reflects a purchase of shares, in 1975, which reduced the average common shares outstanding 3.3% from the 1974 average. Income included \$3.3 million, or \$.61 per share of U.S. investment tax credits related to the increased capital spending level and the higher rate allowed in 1975; this compares to \$.6 million, or \$.11 per share in 1974.

The beneficial impact of the investment tax credits, equity in earnings of affiliated companies and percentage depletion allowances available on the company's ore and coal mining interests reduced the effective income tax rate to 42.6% in 1975 compared with 45.3% in 1974.

Cash requirements for acquisitions in 1974 and capital spending in 1975 reduced cash available for short-term investment; as a result, interest income in 1975 declined to one-third of the 1974 amount. Interest expense of \$9.9 million in 1975 was 68% above the \$5.9 million recorded in 1974; a full year's cost of financing pollution control facility expenditures and of the debt of acquired companies accounted for the significant increase. Other corporate expenses, unallocated to operations, rose modestly from 1974.

Discontinued Operations

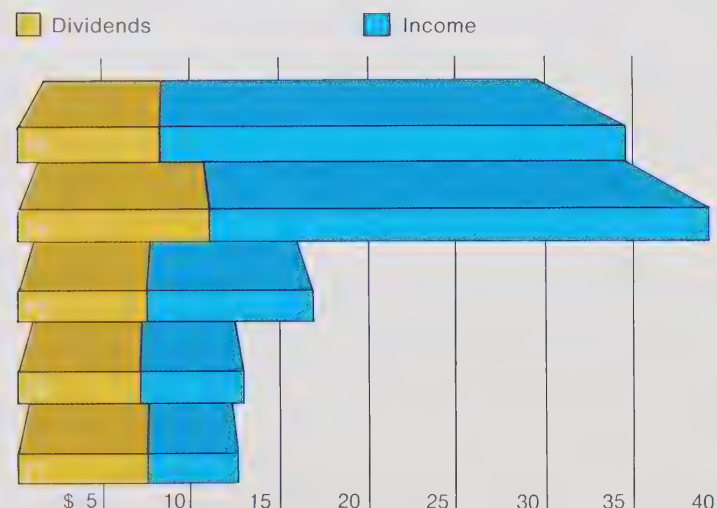
As of May 25, 1975, certain assets and the business of the Howell Division (home furnishings and gas products) were sold, resulting in a loss on disposal of \$4,766,000 net of income taxes. In addition, a loss from operations of the discontinued Howell Division of \$565,000, net of income taxes, was realized in 1975.

Dividends

Cash dividends on common stock totaled \$8.1 million in 1975 and represented a payout of 23.5% on net income. The reinvestment of earnings for the extensive capital program in 1975 minimized the need for additional debt. On November 25, 1975, the regular cash dividend on restated shares was

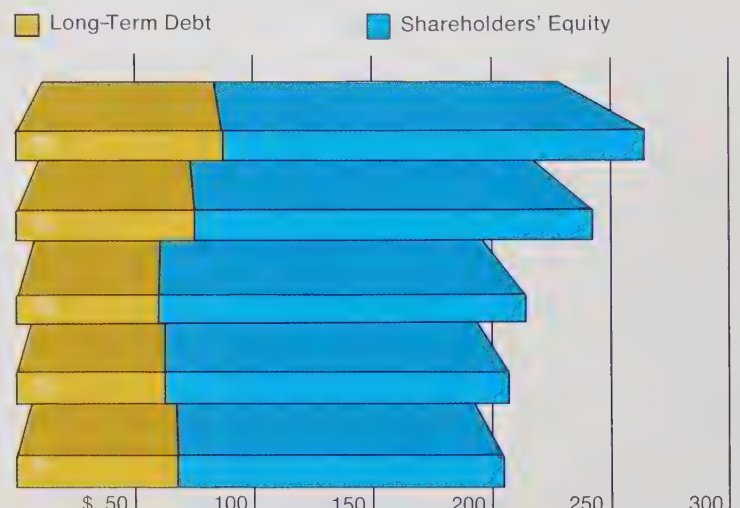
Net Income and Common Dividends

(In millions)



Capitalization

(in millions)



raised by 50% over the previous rate to bring the total 1975 payout to \$1.50. The indicated dividend for 1976 would be \$2.00. For 1974, a year-end extra raised total dividends paid to \$11.0 million, or \$1.97 on the restated common shares.

Financial Condition

The company's financial condition improved during 1975 and is in a strong position to capitalize on business opportunities in 1976. Cash flow of \$52.4 million was close to last year's record of \$53.7 million. Major requirements for available funds were:

- capital expenditure programs totaling \$35.9 million
- increased working capital requirements of \$14.3 million
- purchase of company common stock for \$5.1 million
- investments in the Japanese joint venture and Scotts Branch Mine which totaled \$2.5 million.

During the year, temporary cash requirements in excess of funds generated were provided by issuance of commercial paper and draw-downs on established worldwide revolving credit agreements. In addition, \$3.9 million of funds available under long-term leases to finance facilities at Beverly, Ohio, and Selma, Alabama were used.

Shareholders' equity increased 9.0% from the end of 1974 to \$264.0 million at December 28, 1975. This increase and the lower net income resulting from the Howell Division disposal and loss from operations reduced the return on shareholders' average equity to 13.7% in 1975 compared with 17.2% in 1974.

A summary of the key financial ratios indicates:

	At Dec. 28, 1975	At Dec. 29, 1974
Working Capital Ratio	2.0 to 1	1.6 to 1
Quick Asset Ratio	.8 to 1	.7 to 1
Debt/Total Capitalization	24%	23%

Capital Expenditures and Depreciation



Capital Expenditures

1975 capital spending was at the highest level ever and exceeded depreciation for the second consecutive year. Capital expenditures of \$35.9 million in 1975 were \$10.4 million above the 1974 amount. A comparison of the nature of capital spending in 1975 compared to 1974 indicates the increasing demand for earnings adequate to support expansion and environmental control projects:

	1975	1974
• for replacement and improvements using new and better equipment which will also contribute to lower costs	48%	60%
• for expansion which provides for future growth and profits	32%	29%
• for pollution control devices to assure a better environment in our host communities and the nation	20%	11%

Capital spending was dominated by the silicon metal/ferroalloys business which represented 44% of the corporate total. Spending included the completion of a second furnace for the production of silicon metal at Selma, Alabama, and installation of fume control facilities at both the Beverly, Ohio and Selma, Alabama plants.

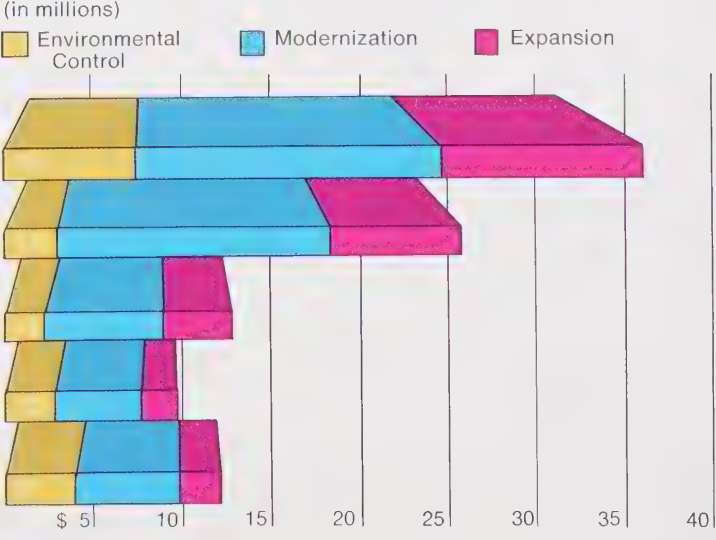
The iron and steel business accounted for 36% of the total spending and included major expenditures for the initial phase of blast furnace rehabilitation programs at Chicago and Toledo.

Other capital projects in 1975 included:

- expanded production facilities at the Lodi, California storage products plant
- product improvement and expansion equipment at the Pontiac, Illinois storage products plant
- upgrading of equipment to produce strapping tools at Riverdale

At the end of 1975, the unexpended balance of approved capital projects were about 40% of the \$27.9 million at the end of 1974 and approximated the spending proportions by type of project realized in 1975.

Capital Expenditures—By Type



Statement of Consolidated Income and Retained Earnings

For the Years Ended December 28, 1975 and December 29, 1974

	1975	1974
Sales and Revenues:		
Net sales of continuing operations	\$640,831,084	\$593,763,666
Other revenues	9,492,783	9,277,879
	<u>650,323,867</u>	<u>603,041,545</u>
Costs and Expenses:		
Cost of products sold (Note 6)	457,733,049	447,726,271
Depreciation, depletion and amortization (Note 1)	19,287,194	15,337,132
Selling and administrative expenses	74,984,861	45,996,124
State, local and miscellaneous taxes	19,283,832	14,427,498
Interest expense	9,861,363	5,934,395
	<u>581,150,299</u>	<u>529,421,420</u>
Income of Continuing Operations before Taxes on Income	69,173,568	73,620,125
Provision for Income Taxes (Note 11)	29,467,000	33,357,000
Income of Continuing Operations	39,706,568	40,263,125
Loss from Discontinued Operations , net of applicable income taxes (Note 9)	5,331,238	1,264,432
Net Income for the Year	34,375,330	38,998,693
Retained Earnings at Beginning of Year	157,577,049	129,591,281
	<u>191,952,379</u>	<u>168,589,974</u>
Deduct Cash Dividends Paid (\$1.50 per share in 1975 and \$1.97 per share in 1974) (Note 4)	(8,075,091)	(11,012,925)
Retained Earnings at End of Year	<u>\$183,877,288</u>	<u>\$157,577,049</u>
Per Share of Common Stock (Note 4):		
Income of Continuing Operations	\$7.34	\$7.19
Loss from Discontinued Operations	(.99)	(.22)
Net Income	<u>\$6.35</u>	<u>\$6.97</u>

(See notes to consolidated financial statements)

Statement of Changes in Consolidated Financial Position

For the Years Ended December 28, 1975 and December 29, 1974

	1975	1974
Financial Resources Were Provided By:		
Income of continuing operations	\$ 39,706,568	\$ 40,263,125
Depreciation, depletion and amortization	19,287,194	15,337,132
Equity in undistributed earnings of affiliates and joint ventures	(3,224,345)	(2,763,421)
Future income taxes	(1,274,444)	(657,558)
Loss from discontinued operations, net of applicable income taxes	(5,331,238)	(1,264,432)
Increase in other long-term liabilities	1,802,861	2,143,995
Working capital provided from operations	50,966,596	53,058,841
Long-term borrowings	14,140,149	11,100,000
	<u>65,106,745</u>	<u>64,158,841</u>
Financial Resources Were Used For:		
Capital expenditures, less net book value of retirements and sales of \$1,161,892 in 1975 and \$1,454,876 in 1974	34,722,000	24,031,361
Reduction of long-term debt	2,757,036	4,008,218
Cash dividends	8,075,091	11,012,925
Purchase of Company common stock	5,080,950	—
Acquisitions, net of working capital acquired	—	18,882,968
Purchase of minority interests	1,925,925	—
Investment in affiliated companies and joint ventures	2,551,463	—
Increase (decrease) in construction funds held by trustees	(3,856,500)	8,998,327
Other	(427,277)	103,855
	<u>50,828,688</u>	<u>67,037,654</u>
Increase (decrease) in working capital	<u>\$ 14,278,057</u>	<u>\$ (2,878,813)</u>
Increase (Decrease) In Working Capital Comprises:		
Cash, certificates of deposit and marketable securities	\$ (1,538,352)	\$ (8,971,257)
Receivables	(24,500,276)	44,118,481
Inventories	(8,323,024)	49,055,819
Other current assets	407,747	2,244,323
Accounts payable and salaries and wages	26,057,431	(48,597,260)
Taxes payable	13,719,923	(23,140,699)
Notes payable	6,610,025	(16,700,482)
Current maturities of long-term debt	1,844,583	(887,738)
	<u>14,278,057</u>	<u>(2,878,813)</u>
Working capital at beginning of year	95,142,652	98,021,465
Working capital at end of year	<u>\$109,420,709</u>	<u>\$ 95,142,652</u>

(See notes to consolidated financial statements)

Consolidated Balance Sheet

December 28, 1975 and December 29, 1974

Assets	1975	1974
Current Assets:		
Cash	\$ 2,860,359	\$ 5,071,634
Certificates of deposit	5,728,920	1,647,987
Marketable securities, at cost which approximates market	149,441	3,557,451
Receivables, less allowance for doubtful accounts of \$2,470,000 in 1975 and \$2,450,000 in 1974	81,636,139	106,136,415
Inventories (Note 1):		
Raw materials and supplies	57,339,376	60,121,078
Semi-finished and finished products	60,790,986	66,332,308
Other current assets	7,986,684	7,578,937
Total current assets	<u>216,491,905</u>	<u>250,445,810</u>
Investments and Other Assets:		
Affiliated companies (Note 1)	12,057,200	5,618,392
Iron ore interests (Notes 1 and 12)	21,704,676	22,367,676
Other investments and deferred charges	9,906,916	8,322,342
Construction funds held by trustees	5,712,428	9,568,928
Goodwill (Note 1)	11,619,402	11,294,208
	<u>61,000,622</u>	<u>57,171,546</u>
Property, Plant and Equipment, at cost (Note 1):		
Land and mineral properties, less depletion	14,128,400	14,718,260
Plant and equipment	467,675,404	438,286,832
	481,803,804	453,005,092
Less—Depreciation and amortization	<u>279,183,259</u>	<u>264,258,709</u>
	<u>202,620,545</u>	<u>188,746,383</u>
	<u>\$480,113,072</u>	<u>\$496,363,739</u>
Liabilities and Shareholders' Equity	1975	1974
Current Liabilities:		
Accounts payable	\$ 58,567,310	\$ 85,713,329
Salaries and wages	15,890,461	14,801,873
Taxes other than income taxes	8,154,881	7,356,939
U.S. and foreign income taxes (Notes 8 and 11)	13,484,385	28,002,250
Notes payable	10,090,457	16,700,482
Current maturities of long-term debt (Note 2)	883,702	2,728,285
Total current liabilities	<u>107,071,196</u>	<u>155,303,158</u>
Long-Term Debt (Note 2)	<u>85,599,287</u>	<u>74,216,174</u>
Other Long-Term Liabilities	<u>10,202,481</u>	<u>8,399,620</u>
Future Income Taxes (Note 1)	<u>12,041,761</u>	<u>13,316,205</u>
Minority Interests in Subsidiaries	<u>1,152,494</u>	<u>2,994,775</u>
Shareholders' Equity:		
Common stock, par value \$1 a share; authorized 10,000,000 shares; issued 6,381,948 shares in 1975 and 6,385,692 shares in 1974 (Note 4)	98,221,862	98,418,612
Retained earnings (Note 3)	183,877,288	157,577,049
	<u>282,099,150</u>	<u>255,995,661</u>
Less—Cost of common stock held in treasury (976,919 shares in 1975 and 782,932 shares in 1974) (Note 4)	<u>18,053,297</u>	<u>13,861,854</u>
	<u>264,045,853</u>	<u>242,133,807</u>
	<u>\$480,113,072</u>	<u>\$496,363,739</u>

(See notes to consolidated financial statements)

Notes to Consolidated Financial Statements

For the Years Ended December 28, 1975 and December 29, 1974

NOTE 1—Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all majority-owned domestic and foreign subsidiaries. Investments in corporate joint ventures and companies owned 20% to 50% are accounted for by the equity method. Such investments are carried at cost plus equity in undistributed earnings.

Translation of Foreign Currencies—Starting with 1975, the financial statements of foreign operations have been translated in accordance with provisions of the Financial Accounting Standards Board Statement Number 8. This change, had it been applied retroactively, would not have resulted in a material restatement of prior year financial results and had no material effect on 1975 operating results. Exchange adjustments of immaterial amounts have been reflected in earnings.

Inventories—Inventories are stated at the lower of cost or market value. Cost of domestic inventories is determined principally by the last-in first-out method, which is less than current costs by \$69,460,000 and \$53,962,000 at December 28, 1975 and December 29, 1974, respectively. Cost of inventories of foreign subsidiaries is determined principally by the first-in first-out method.

Property, Plant and Equipment and Depreciation—For financial reporting purposes, plant and equipment are depreciated principally on a straight-line method over the estimated useful lives of the assets. Costs of significant renewals and betterments, including furnace relines, are capitalized. Depreciation claimed for income tax purposes is computed by use of accelerated methods. Income taxes applicable to differences in depreciation claimed for tax purposes and that reported in the financial statements is charged or credited to future income taxes, as appropriate. Provision for depletion of mineral properties is based on tonnage rates which are expected to amortize the cost of such properties over the estimated amount of mineral deposits to be removed.

Goodwill—Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line basis over a period of approximately thirty years. In 1975 the Company extended its amortization policy to include goodwill arising from acquisitions occurring prior to November 1, 1970. This change had no significant effect on 1975 operating results.

Investment Tax Credits—The full amount of investment tax credits claimed for tax purposes is reflected in income in the year the related property is placed in service.

Pension Plans—The Company has several pension plans which cover substantially all employees. These plans generally follow the basic pension pattern of the steel industry. The provision for pension cost includes current costs plus interest on and amortization of unfunded prior service cost over a period of approximately 25 years. The Company's policy is to fund pension cost accrued.

NOTE 2—Long-Term Debt and Credit Arrangements

Long-term debt of the Company consists of the following:		
	December 28, 1975	December 29, 1974
8.80% debentures, due annually \$2,500,000 1978 to 1995, and \$5,000,000 in 1996	\$ 50,000,000	\$ 50,000,000
47½ % debentures, due \$1,500,000 in 1976 and \$2,477,000 in 1977	2,683,000	3,374,000
Obligations under long-term lease agreements	16,300,000	16,300,000
11¼ % notes payable, due annually in varying installments from 1980 to 1998	4,362,000	—
Bank term loans, due 1977, repayable in pound sterling, interest at 1½ % over the interbank rate	9,103,500	—
Other	4,034,489	7,270,459
	86,482,989	76,944,459
Less—Current maturities	883,702	2,728,285
	<u>\$ 85,599,287</u>	<u>\$ 74,216,174</u>

At December 28, 1975, 47½ % debentures with a face value of \$1,294,000 were held in the treasury by the Company. These may be used in meeting the 1976 sinking fund requirement and have been applied as a reduction of current maturities of long-term debt.

The long-term lease obligations relate principally to pollution control facilities which are being accounted for as plant and equipment as funds are expended. The interest rates on these obligations vary from 6.00% to 7.88%. Principal payments begin in 1981 (\$500,000) and continue in varying annual amounts through 1999.

During 1975 the Company entered into a loan agreement to sell \$10,000,000 of 11¼ % notes to finance the Company's share of construction costs for a coal mining venture. A commitment fee of ½ % per annum is payable on funds not borrowed.

On April 28, 1975 the Company entered into a revolving credit agreement with a group of banks which permits short-term borrowings up to a maximum of \$15,000,000 until April 27, 1977 at the prime rate of interest on notes dated March 7, 1976 or prior and at ¼ % over the prime rate thereafter. A commitment fee of ½ % per annum is payable quarterly on the average unused amount of credit. There were no borrowings outstanding at December 28, 1975.

In connection with the revolving credit agreement and other domestic lines of credit, the Company has entered into informal arrangements to maintain average compensating balances of 12% for the unused lines and an additional 7% for any borrowings. The Company's estimated average float exceeded the bank deposits required under these arrangements.

NOTE 3—Retained Earnings

Under the most restrictive terms of agreements relating to outstanding loans, the Company may not as of December 28, 1975 pay cash dividends or repurchase the Company's capital stock in amounts aggregating more than \$73,500,000.

NOTE 4—Capital Stock

In August, 1975 the Board of Directors declared a three-for-two stock split effected in the form of a 50% stock dividend on all common shares outstanding and held in the treasury. Common stock, stock option and per share data for 1975 and 1974 have been restated to reflect the stock split.

Earnings per share of common stock were computed based on the weighted average number of shares outstanding which was 5,412,904 shares in 1975 and 5,598,207 shares in 1974. In February, 1975 the Company purchased 241,950 shares of its common stock for \$5,080,950. Shares purchased are being held in the treasury.

At December 28, 1975, 153,925 treasury shares of common stock were reserved for outstanding stock options under the 1965 Stock Option Plan, 435 for distribution under a deferred compensation plan, and 822,559 were unreserved. During both 1975 and 1974, 864 treasury shares were distributed under the deferred compensation plan.

The Company's authorized capital stock includes 1,000,000 shares of serial preferred stock, \$1 par value per share, none of which has been issued.

NOTE 5—Stock Options

In 1965 the shareholders approved a Qualified Stock Option Plan for the Company's officers and key employees. Under the plan, options were available for grant until December 31, 1974 to purchase common stock for periods not longer than five years from the date of grant and at prices not less than the market value at date of grant. Options are exercisable 33⅓% annually, on a cumulative basis, beginning one year from date of grant. Options outstanding at December 28, 1975 expire at varying dates until 1979.

In April, 1975 the shareholders approved a non-qualified Stock Option Plan for the Company's officers and key employees. Under the plan, options may be granted until December 31, 1984 to purchase common stock for periods not longer than ten years from date of grant and at prices not less than the market value at date of grant. Options are exercisable 33⅓% annually, on a cumulative basis, beginning one year from date of grant. The total number of shares which may be issued pursuant to this plan may not exceed 375,000 shares. At December 28, 1975, 320,325 options were available for grant.

Changes in the number of shares of common stock under option during the years ended December 28, 1975 and December 29, 1974 were as follows:

	1975	1974
Options outstanding at beginning of year	217,500	184,350
Options granted— Per share—\$22.00 in 1975 and \$17.21 in 1974	54,975	72,300
Options exercised— Per share—\$15.42 to \$18.75 in 1975 and \$15.42 in 1974	(47,099)	(4,800)
Options cancelled	(16,776)	(34,350)
Options outstanding at end of year:		
Number of shares	208,600	217,500
Exercise price per share	(\$15.79–\$22.00)	(\$15.42–\$18.75)
Options exercisable at end of year	98,075	109,971

NOTE 6—Significant Transaction

In 1975 cost of products sold includes a \$10,000,000 favorable settlement from a supplier in connection with a long-term coal supply contract. The settlement, recorded in the third quarter of 1975, increased net income \$5,000,000.

NOTE 7—Acquisition

In October, 1974 the Company acquired substantially all of the outstanding ordinary and preference shares of Dexion-Comino International Limited, a producer of storage and material handling products with manufacturing operations principally in Europe, for an aggregate cash cost of \$22,080,000. The acquisition was accounted for using the purchase method. The consolidated financial statements for 1975 and 1974 include Dexion's operating results for the thirteen months ended December 28, 1975 and month of November, 1974.

Had the acquisition occurred at the beginning of 1974, pro forma consolidated net sales, net income and net income per share of continuing operations for 1974, after giving effect to appropriate purchase accounting adjustments, would have been \$697,802,000, \$42,401,000 and \$7.57, respectively.

NOTE 8—Foreign Operations

The Company's foreign subsidiaries, affiliates and joint ventures are located principally in Canada and Western Europe. Net assets of foreign companies at December 28, 1975 and December 29, 1974 and results of operations for the years then ended were as follows:

	1975	1974
Net assets	\$ 56,435,000	\$62,935,000
Net sales	150,655,000	66,648,000
Earnings before taxes and unallocated corporate items	12,109,000	7,239,000

Had Dexion been acquired at the beginning of 1974 (see Note 7), pro forma net sales and earnings before taxes and unallocated corporate items for the year ended December 29, 1974 would have been \$157,284,000 and \$14,662,000, respectively.

No provision for U.S. income taxes on unremitted earnings of foreign companies has been made as it is anticipated that any U.S. taxes on dividend distributions will be substantially offset by foreign tax credits.

NOTE 9—Discontinued Operations

In April, 1975 the Company adopted a plan to dispose of its Howell Division (furnishings and gas products) and, as of May 25, 1975, the Company sold substantially all assets of the business. Results of operations for the year ended December 29, 1974 have been restated to reflect the discontinued operations as a separate caption.

Results of operations of the Howell Division for the five months ended May 25, 1975 and year ended December 29, 1974 and loss on disposition were as follows:

	1975	1974
Net sales	\$9,678,238	\$30,029,855
Loss from discontinued operations to measurement date, less related income tax benefits of \$574,000 in 1975 and \$1,341,000 in 1974	\$ 565,238	\$ 1,264,432
Loss on disposal of assets from discontinued operations (including operating losses of \$643,000 during phase- out period), less related tax benefits of \$3,820,000	4,766,000	—
	\$5,331,238	\$ 1,264,432

NOTE 10—Pension Plans

Pension costs were \$15,737,000 in 1975 and \$13,314,000 in 1974. The actuarially computed value of vested benefits per the latest actuarial reports exceeded the market value of the pension fund assets by approximately \$64,000,000 and \$55,000,000 as of December 28, 1975 and December 29, 1974, respectively. The Company anticipates that the vesting requirements of the Employee Retirement Income Security Act, to become effective in 1976, will increase vested benefits approximately \$16,000,000.

NOTE 11—Income Taxes

The provisions for taxes on income of continuing operations for the years ended December 28, 1975 and December 29, 1974 consist of:

	1975	1974
Currently payable:		
U.S. Federal (less investment credits of \$3,320,000 in 1975 and \$621,000 in 1974)	\$21,938,000	\$27,977,000
State and foreign	8,206,000	5,330,000
Deferred	(677,000)	50,000
	<u>\$29,467,000</u>	<u>\$33,357,000</u>

The effective tax rates are lower than the statutory rate due principally to investment tax credits, equity in earnings of affiliated companies and percentage depletion allowances.

As of December 28, 1975 Federal income tax returns for the years 1965 through 1971 have been examined and returns for the years 1972 and 1973 were in process of examination. A number of adjustments have been proposed, one of which involves the determination of the cost of ore from one of the Company's iron ore interests and could result in certain of these costs being disallowed as a tax deduction. The Company believes that its position on this issue has merit and should not result in any significant adjustment.

NOTE 12—Commitments

With respect to the Company's interests in two mining joint ventures, the Company is required to take its ownership proportion of production for which it is committed to pay its proportionate share of the operating costs of these projects, either directly or as a part of the product price. Such costs include, as a minimum and regardless of the quantity of ore received, annual interest and sinking fund requirements of the funded debt of these projects of approximately \$3,500,000 through 1983, and lesser amounts thereafter through 1991.

Noncancelable leases for pollution control facilities have been capitalized. All other lease commitments, considered in the aggregate, are not material in relation to the operations of the Company.

NOTE 13—Proposed Acquisition

In November, 1975 the Company signed a letter of intent to acquire all of the outstanding common and preferred stock of Arwood Corporation, a manufacturer of investment castings and die castings, for approximately 423,000 shares of Interlake common stock. The proposed merger is subject to approval by Arwood Corporation shareholders, a favorable tax ruling and resolution of other matters.

Report of Independent Accountants



To the Board of Directors and Shareholders of Interlake, Inc.

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated income and retained earnings and the statements of changes in consolidated financial position present fairly the financial position of Interlake, Inc. and its subsidiaries at December 28, 1975 and December 29, 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Five Year Financial Summary of Operations

(Amounts in thousands—except per share statistics)

For the Year (1)		1975	1974	1973	1972	1971
Net Sales of Continuing Operations		\$640,831	\$593,764	\$425,999	\$353,552	\$319,921
Other Revenues		9,493	9,278	7,034	1,532	1,295
		650,324	603,042	433,033	355,084	321,216
Cost of Products Sold and Operating Expenses		571,290	523,488	398,948	327,992	296,893
Interest Expense		9,861	5,934	5,322	5,497	4,721
		581,151	529,422	404,270	333,489	301,614
Income Before Taxes on Income		69,173	73,620	28,763	21,595	19,602
Provision for U.S. and Foreign Income Taxes		29,467	33,357	10,813	9,016	7,701
Income of Continuing Operations		39,706	40,263	17,950	12,579	11,901
Income (loss) from Discontinued Operations		(5,331)	(1,264)	(1,166)	393	623
Net Income	Amount	34,375	38,999	16,784	12,972	12,524
	% of Net Sales	5.4%	6.6%	3.9%	3.7%	3.9%
	% of Average Shareholders' Equity	13.7%	17.2%	8.0%	6.3%	6.0%
Earnings per Common Share (2)— Income of Continuing Operations		7.34	7.19	3.15	2.11	1.92
Net Income		6.35	6.97	2.95	2.17	2.02
Cash Flow (net income, depreciation and future income taxes)		52,388	53,678	30,713	26,982	25,354
Cash Dividends	Amount	8,075	11,013	7,373	7,158	7,400
	Per Share (2)	1.50	1.97	1.30	1.20	1.20
	% of Net Income	23.5%	28.2%	43.9%	55.2%	59.1%
Capital Expenditures (excluding assets of acquired businesses)		35,884	25,486	12,773	9,818	12,146
Depreciation		19,287	15,337	15,042	15,077	13,923
At Year End						
Working Capital	Amount	\$109,421	\$ 95,143	\$ 98,021	\$ 90,040	\$ 86,839
	Current Ratio	2.0 to 1	1.6 to 1	2.5 to 1	2.5 to 1	2.6 to 1
Property, Plant and Equipment (net)		202,621	188,746	155,265	153,697	159,304
Long-Term Debt (less current maturities)		85,599	74,216	60,367	62,923	68,115
Future Income Taxes		12,042	13,316	13,974	15,816	16,883
Common Shareholders' Equity	Amount	264,046	242,134	214,056	208,295	206,171
	Shares Outstanding (2)	5,405	5,603	5,597	5,820	6,017
	Per Share (2)	48.85	43.22	38.24	35.79	34.26
Common Stock Price Range (2)		26½—18	19⅝—13⅞	19⅜—13⅛	21⅜—17⅜	20¼—16⅞
Price Earnings Ratio (based upon year-end stock price)		4.09	2.56	4.75	8.82	9.24
Number of Shareholders		24,504	24,624	24,898	25,036	25,919
Number of Employees		10,502	13,391	10,272	9,440	9,224

(1) 1974 and prior years have been restated to exclude operating results of the Howell Division (home furnishings and gas products), which was sold in 1975 as described in the Operating/Financial Review.

(2) Restated to reflect the 3-for-2 share split in October, 1975.

Management's Discussion of Summary of Operations

Sales

Net sales of continuing operations reached a record level in 1975 for the eighth consecutive year. Sales of companies acquired in 1974 aided the 1975 performance as a general decline was experienced in other segments of Interlake.

(In millions)	1975	1974	1973	1972	1971
Iron	\$110.1	\$103.0	\$ 78.6	\$ 62.7	\$ 57.9
Steel	171.4	202.6	142.4	131.3	112.5
Silicon Metal/ Ferroalloys	48.6	55.1	32.9	22.4	24.3
Metal Powders	30.4	34.0	26.5	17.2	13.8
Packaging/Fabricated Products	109.1	119.2	95.6	77.9	75.1
Material Handling/ Storage	171.2	79.9	50.0	42.1	36.3
	<u>\$640.8</u>	<u>\$593.8</u>	<u>\$426.0</u>	<u>\$353.6</u>	<u>\$319.9</u>

The significant sales increases in 1973 and 1974 were related to strong demand and higher selling prices. In 1973, shipments in excess of annual production capacity were realized and depleted inventory levels; selling price increases accounted for one-fourth of the sales gain.

In 1974, the lifting of price controls allowed selling price increases to help recover costs of the previous two years; higher selling prices accounted for 36% of the year-to-year improvement. Strong demand and sales of acquired companies accounted for the balance of the sales growth in 1974.

Other Revenues

Other revenues include interest income, gains on the sale of corporate properties, and rent and royalty income.

In 1973, Interlake sold a parcel of vacant land in Canada and an office building in London. The pre-tax gain on the sale of these two properties of approximately \$3.5 million is included in other revenues. Also, in 1973, interest income increased more than \$1 million from the previous year. Other revenues in 1974 include sales of vacant land in Burnham, Illinois and idle equipment.

Interest income in 1974 increased \$1.9 million from 1973 as a result of higher yields and higher average cash balances on hand during most of the year. Also included in other revenues in 1974 and in 1975 is rental income from the lease of the Erie coke facility.

In 1975, increased royalty income and sales of idle equipment more than offset a decrease in interest income.

Cost of Products Sold and Operating Expenses

Cost of products sold and operating expenses in 1974-75 averaged 88.7% of sales compared with an average of 93.1% in the 1971-73 period. Most of the improvement in this ratio was due to selling price increases, following the suspension of government price controls, which allowed recovery of cost increases experienced in 1974 and earlier years.

Throughout this period, raw materials, power, labor, and most other costs incurred by Interlake have steadily increased. In addition, depreciation expense, which reflects the company's investment in improved facilities, and state and local taxes, which are largely outside of the company's control, have risen in recent years—especially in 1975. Also, the inclusion of a full year of operations for Dexion-Comino International Limited caused increases in all cost categories. However, 1975 costs did benefit from a \$10 million settlement with a raw material supplier and reduced operating activity permitted reductions in maintenance and repair expenses, which had increased significantly during the 1973-74 period of very high operating levels.

Interest Expense

Interest expense rose sharply in 1975 due to a combination of higher interest rates and a higher average indebtedness resulting from a full year of Dexion's financing requirements and increased financing of pollution control facilities and the Scotts Branch coal mining venture. The period 1972-1974 had interest expense at a relatively stable level following the issuance of \$50,000,000 of 8.8% debentures in 1971.

U.S. and Foreign Income Taxes

The tax provisions are at an effective rate lower than the statutory tax rate principally due to percentage depletion allowances, equity in earnings of affiliated companies, and investment tax credits as follows:

Year	1975	1974	1973	1972	1971
Effective tax rate	42.6%	45.3%	37.6%	41.8%	39.3%

The lower rate in 1973 was due to the real estate transactions mentioned previously, which were subject to minimal income taxes under the applicable foreign tax regulations. The higher rates in 1974 and 1975 reflect increased operating income subject to income taxes at normal rates.

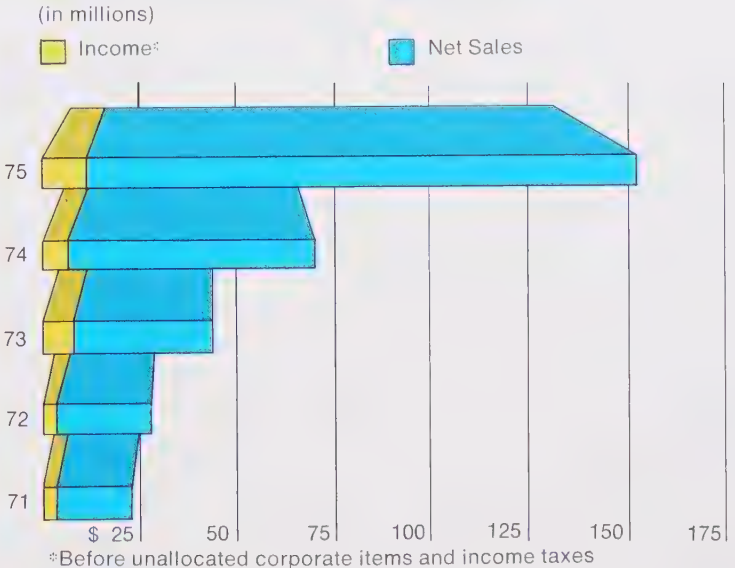
Summary of Earnings by Line of Business

Earnings in 1975 were the second best in Interlake's history. Overall volume declines from 1974 adversely affected the earnings of each principal line of business. However, a \$10 million settlement from a raw material supplier, the full year's benefit of price increases in 1974, and cost reduction measures limited the earnings decline.

(In millions)	1975	1974	1973	1972	1971
Iron/Steel	\$50.7	\$45.5	\$16.7	\$18.5	\$13.0
Silicon Metal/ Ferroalloys	8.1	13.3	2.1	1.3	4.5
Metal Powders	4.0	3.5	1.5	(.4)	.1
Packaging/ Fabricated Products	5.7	9.8	8.6	4.3	4.7
Material Handling/ Storage	8.8	6.6	4.8	2.9	1.9
	<u>77.3</u>	<u>78.7</u>	<u>33.7</u>	<u>26.6</u>	<u>24.2</u>
Corporate items	(8.1)	(5.1)	(4.9)	(5.0)	(4.6)
Income of continuing operations before taxes	<u>\$69.2</u>	<u>\$73.6</u>	<u>\$28.8</u>	<u>\$21.6</u>	<u>\$19.6</u>

() denotes loss or expense

Results of Foreign Operations

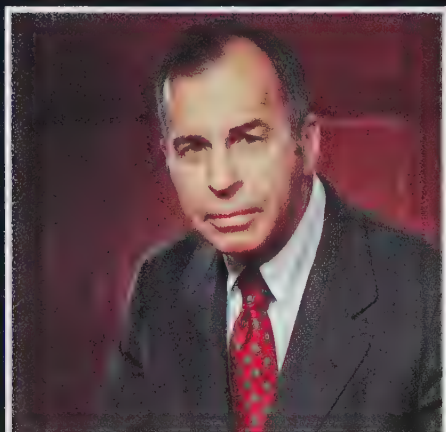


Officers



Reynold C. MacDonald
Chairman of the Board and
Chief Executive Officer,
Director

Frank J. Burgert
President and Chief
Operating Officer, Director



Robert Jacobs
Executive Vice President
Finance and Administration, Director



Frank K. Armour
Vice President
Engineering and Research



H. Harry Henderson
Vice President
Marketing and Public Affairs



Ralph K. Frew
Vice President
Employee Relations



Grant L. Johnson
Vice President Law



Raymond T. Anderson
Treasurer



Philip A. McKinsey
Secretary

Richard I. Polanek
Controller

Directors

Reynold C. MacDonald, chairman of the board and chief executive officer, has headed Interlake since 1967. Mr. MacDonald, 57, was vice president-operations and a member of the executive committee at Lone Star Steel Company before joining Interlake.

Frank J. Burgert, president and chief operating officer, joined Interlake in 1969 as corporate vice president-operations. Previously he was vice president-operations at Wheeling-Pittsburgh Steel Corporation. Mr. Burgert is 55. He was elected to the board of directors in 1972, and was promoted to his present position in 1973.

Robert Jacobs, executive vice president-finance and administration, has been with Interlake since 1963, when he became vice president-finance. Mr. Jacobs, who is 57, became a director in 1969 and has headed administration functions since 1970. Before joining Interlake, he held executive financial positions with LTV Corporation, GAF and Standard Brands, Inc.

Frank K. Armour, vice president-engineering and research, has spent his entire 31-year career in the iron and steel business. Mr. Armour is 58. He is also president of the Interlake Technical Center, Inc. and chairman of the Interlake Pollution Control Project Team.

Ralph K. Frew, vice president-employee relations, has headed Interlake's employee relations since 1960. Mr. Frew, 48, was director of employee relations for Acme Steel Company at the time of its merger with Interlake.

H. Harry Henderson, vice president-marketing and public affairs. Mr. Henderson, 49, joined Interlake as director of public relations in 1962. He has also served in various executive positions with Ford Motor Company, Owens-Corning Fiberglas, and International Harvester Company.

Grant L. Johnson, vice president-law, joined Interlake in 1971. Mr. Johnson, 46, was previously general counsel and secretary of Pickands Mather & Co.

Raymond T. Anderson became treasurer last October. Mr. Anderson, who is 43, previously was corporate controller. He has served in various financial supervisory capacities since joining the company in 1966.

Philip A. McKinsey became secretary in January 1976. With a strong background in law, Mr. McKinsey, 42, was assistant general counsel at Baxter Laboratories, Inc. before joining Interlake.

Richard I. Polanek, controller, has been with Interlake since 1963. Mr. Polanek is 44 and was previously assistant controller-international operations. He was promoted to the corporate staff last October.

Executive Changes

Several key executive changes occurred during the year:

Raymond T. Anderson, formerly controller, was elected treasurer of the corporation replacing George L. Faulstich, Jr., who was appointed general manager of storage products in the newly formed Material Handling / Storage Division.

Richard I. Polanek succeeds Mr. Anderson as controller. He was previously assistant controller-international operations.

Philip A. McKinsey joined the company as secretary. He was formerly assistant general counsel for Baxter Laboratories, Inc.

David G. Bowser, vice president Globe Metallurgical Division, retired during the year.

Fred W. Reilly retired as chairman and chief executive officer of Redirack Industries Limited, one of our Canadian subsidiaries, in December, 1975. Howard Siddall succeeded Mr. Reilly as president of Redirack Industries.

Keith S. Benson, 57, executive vice president-administration and finance, director, Oglebay Norton Co. (mining, sale and lake transportation of iron ore, coal, silicon, sand, and other raw materials) 1966*†■

Eugene P. Berg, 62, chairman, president and director, Bucyrus-Erie Company (manufacturer of mining and construction machinery) 1964*●

Frank J. Burgert, 55, president and chief operating officer, Interlake, Inc. 1972*†

Marvin Chandler, 65, chairman of the executive committee and director, Northern Illinois Gas Company (gas utility) 1958*†■◆

James W. Coultrap, 65, director, Rockwell International Corporation (diversified manufacturer of aerospace, automotive, consumer, electronic and flow measurement and control products, and machinery for weaving and printing industries) 1962*†■◆

Walter A. Hamilton, 53, vice president- public affairs research, The Conference Board (independent non-profit research organization) 1974*■

Robert Jacobs, 57, executive vice president-finance and administration, Interlake, Inc. 1969*

Reynold C. MacDonald, 57, chairman and chief executive officer, Interlake, Inc. 1967*†

George S. Patterson, 66, petroleum industry consultant 1963*◆

Louis Putze, 59, vice president, director, member of executive committee, Rockwell International Corporation (diversified manufacturer of aerospace, automotive, consumer, electronic and flow measurement and control products, and machinery for weaving and printing industries) 1962*●

Lee C. Shaw, 62, partner, Seyfarth, Shaw, Fairweather and Geraldson (law firm) 1949*†◆

Edward J. Williams, 53, chairman, president and director, McGraw-Edison Company (manufacturer of electrical appliances, tools and equipment for electrical utilities) 1964*■◆

Morris H. Wright, 62, general partner, Kuhn, Loeb & Co. (investment bankers) 1963*†■

* Year in which he became director

† Member of Executive Committee

■ Member of Audit Review Committee

● Member of Pension Review Committee

◆ Member of Compensation and Stock Option Committees

1975 Corporate Briefs

Labor Relations

Union and labor relations continued to be stable and constructive during 1975. New contracts were negotiated at five separate plants. Each was accomplished without a strike and resulted in a reasonable, long-term agreement. In 1976, labor agreements at five other plants will terminate and must be re-negotiated.

Safety Improvement Continues

Safety performance continued its steady improvement. The number of disabling injuries dropped to the lowest level in company history. At the beginning of each year, safety targets are assigned to each Interlake plant and meeting the goal requires a significant improvement over the prior year's performance. Seven plants achieved their safety objectives during 1975 and qualified for the Chairman's Annual Safety Award.

Other Highlights

Substantial improvements were made in our total compensation package consistent with our commitment to provide wages and benefits which are competitive and equitable.

Two major programs to assist management personnel to improve the effectiveness of their organizations were carried out with the Industrial Relations Center of the University of Chicago.

Our educational assistance program provided tuition reimbursements for 26 management employees in graduate degree programs related to their career development in the company. Scores of other salaried employees received tuition reimbursements for job related educational activities.

Our long standing commitment to equal employment opportunity produced steady increases in the employment of minorities and females in various job groups.

Public Affairs

Our public affairs program has made significant advances in governmental relations as well as community development.

To strengthen this activity, we organized a public affairs action team representing each major manufacturing facility. The team monitors legislation at the local, state and federal levels, and contacts elected officials concerning measures which directly or indirectly affect the corporation. In addition, federal legislation is monitored by our Washington office which supports the work of the public affairs team.

Cover Many Issues

In 1975, such issues as capital formation, energy deregulation, imports, taxation, environmental control, economic policy, and a wide range of other important issues were examined and corporate positions were relayed to elected officials.

Our involvement is the keystone upon which our public affairs effort is based. Key management personnel have made significant and substantial time contributions to business councils, private institutions, foundations and government bodies. These executives, and the organizations they represent, ultimately help determine the social, economic and political forces which shape the environment within which the free enterprise system exists. To this end, our public affairs program is dedicated.

Advertising/Sales Promotion

Advertising and sales promotion activities are important sales tools used by Interlake and its operations to interpret our customer-oriented marketing philosophies and to sell our products. In 1975, Interlake and its operating divisions spent \$3.9 million for these purposes.

Community Response

Interlake and its operating locations maintain an ongoing commitment to the quality of life in the communities in which we do business. In 1975, the Corporation continued its long-standing practice of making charitable contributions for community improvement. Our Board of Directors reviewed and reaffirmed this practice in 1975, and we think our policy is in the interest of our shareholders.

Help Many Organizations

The well-being of our businesses is interwoven with the well-being of the society in which they operate. Last year, the Interlake Foundation contributed \$248,000 to over 200 organizations involved in community service, economic education, and to business groups, health agencies, civic and cultural groups, in addition many hours of time and labor were contributed as well.

We also continued the program in which Interlake matches financial gifts to colleges who receive contributions from employees. Our company and many of its employees continued their activities in response to community needs during the past year.

Companies reflect responsible citizenship in the manner in which their businesses are conducted and the sense of responsibility they encourage in their employees. Interlake's operating companies have formal programs in equal employment, advancement opportunity, energy conservation, environmental impact, and community development. Thousands of volunteer hours were devoted to these programs in 1975.

Research and Development

Research and Development is involved in day-to-day, and intermediate range efforts, to improve the profitability of Interlake in all phases of business, from raw materials to finished products.

Activities in this area include:

- identifying new product opportunities
- finding new applications for present products
- developing new manufacturing processes and methods
- solving manufacturing problems
- developing methods to utilize raw materials and fuels more efficiently
- making feasibility studies
- collecting background information desired by management

Environmental Control

In 1975, we spent \$7,300,000 for environmental control equipment. This brings our total expenditures for the past six years to \$20,800,000. These costs do not include an additional 15% to 20% for operating this new equipment.

A major concern to us is the duplication of authority among various governmental agencies. This complicates the task of communication by increasing paperwork and reports required and multiplies the problem of compliance by presenting a variety of ever-changing requirements.

We are working with local, state and federal environmental control agencies to find equitable and practical solutions to the ever increasing complex environmental problems facing our nation.

Office and Plant Locations

Corporate Office

310 S. Michigan Avenue
Chicago, Illinois 60604
(312) 663-1700

Government Services

2531 "P" Street, N.W.
Washington, D. C. 20007
(202) 337-0520

Interlake Technical Center Inc.

150 West 137th Street
Chicago, Illinois 60627
(312) 849-2500

Iron

Chicago, Illinois
(312) 221-3131
Toledo, Ohio
(419) 691-4641

Steel

Riverdale, Illinois
(312) 849-2500
Newport, Kentucky
(606) 261-5620
Wilder, Kentucky
(606) 261-5620
Gary Steel Supply Company
Blue Island, Illinois
(312) 388-7100

Silicon Metal/Ferroalloys

Alabama Metallurgical Corporation
Selma, Alabama
(205) 872-3491
Beverly, Ohio
(614) 984-2361
Cleveland, Ohio (Office)
(216) 241-0808

Metal Powders

Hoeganaes Corporation
Riverton, New Jersey
(609) 829-2220

Packaging/Fabricated Products, Domestic

Riverdale, Illinois
(312) 849-2500
Pittsburg, California
(415) 687-2600
Racine, Wisconsin
(414) 632-5115
Burmac Corporation
Ottawa, Illinois
(815) 434-7900
A. J. Bayer Company
Torrance, California
(213) 328-9000

Packaging/Fabricated Products, International

Acme Steel Company of Canada Limited
Scarborough, Ontario, Canada
(416) 751-6111
Acme-Flejes de Mexico S.A. de C.V.
Mexico, D.F., Mexico
(905) 541-3245
Acme Interlake Engineering Corporation
Brussels, Belgium
02-217.81.60
Gerrard Industries Limited
Nr. Rotherham, England
0709-88-4611

Material Handling/Storage, Domestic

Riverdale, Illinois
(312) 849-2500
Pontiac, Illinois
(815) 844-7191
Dexion, Inc. USA
Newburgh, New York
(914) 561-2900
Lodi, California
(209) 369-7441
A. J. Bayer Company
Shepherdsville, Kentucky
(502) 543-7046

Material Handling/Storage, International

Dexion-Comino International Limited
Wembley, England
01-902-1281
Dexion-Comino International Limited
Hemel Hempstead, England
Dexion-Comino International Limited
Gainsborough, England
Broadwell Building Limited
Staff, England
03844-70151
Dexion GmbH
Laubach, West Germany
(06405) 601
Dexion-Feralco, S.A.
Paris, France
3554410
Dexion-Feralco, S.A.
Sezanne, France
Dexion (Australia) Pty. Limited
Blacktown, N.S.W., Australia
621-1777
Kawatetsu-Interlake Ltd.
Ichikawa, Chiba, Japan
(0473) 58-4411
Redirack Industries Limited
Weston, Ontario, Canada
(416) 741-6622
Redirack-Interlake
Nr. Rotherham, England
0709-88-4611
S. A. Dexion-Redirack N.V.
Brussels, Belgium
02-218.56.08
S. A. Dexion-Redirack N.V.
Nivelles, Belgium
02-217.37.00

Design/Production:
Savlin/Associates, Inc.
Printing:
Sleepeck Printing Co.
Engravers:
Schawkgraphics

interlake, inc.

310 S. Michigan Avenue
Chicago, Illinois 60604

Three-for-two stock split

Interlake's stock was split three-for-two in October.

Earnings per share:

- continuing operations \$7.34
- net income 6.35

Earnings per share of continuing operations reached a record high, up 15 cents per share from 1974's \$7.19. Net income per share fell 8.9% primarily as a result of the disposal of the Howell division.

Eighth record sales year in a row

Sales of continuing operations reached a record \$640.8 million in 1975, up 7.9% over '74.

Capital expenditures: \$35.9 million

Capital expenditures reached an annual high in 1975. Spent for: expansion (32%), modernization (48%), environmental control (20%).

Dividend rate increased

Beginning in the 4th Quarter 1975 the indicated annual dividend rate was raised 50% to \$2.00 on restated shares after giving effect to the stock split.

Material handling business reorganized

In 1975, we split our material handling business into two divisions for more efficient operation and better coverage of worldwide markets.

Arwood acquisition in progress

In November, 1975, we signed a letter of intent to acquire Arwood Corporation.

Howell division sold

We sold our Howell division because it was no longer compatible with our corporate strategy and long-range plans.